**Inequality in South Africa**

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**Introduction and Background**

South Africa lies at the southernmost tip of Africa, with a surface area of 1,219,090 square kilometres. The population is estimated to be about 49 million people, with just over two million more women than men (25 million and 23.4 million respectively) (The Presidency, 2008). As the first democratic elections were only held in 1994, South Africa is one of the youngest African states. As the cradle of humanity and home of pre-historic peoples, namely societies within which class differentiation had not yet occurred, South Africa's geographic location at the tip of Africa, at the juncture where the Atlantic and Indian oceans meet, placed it directly in the path of rampaging mercantile capitalism emanating from Europe's success waves of imperial colonisers, beginning with the Portuguese and ending with the British.

The “typical” settler-colonial form of domination encountered difficulty in enslaving the local population, the Khoekhoe, leading the early outpost settlements to import slaves from as far afield as Angola, Madagascar and the Indonesian archipelago. Territorial conquest of the local peoples and Nguni-speaking tribes also proved difficult for the successive colonial powers, famously resulting in military defeats early on for the Portuguese by the Khoekhoe and later for the British at the hands of both the Zulu and Xhosa tribes. The fate of South Africa was, however, sealed with the discovery first of diamonds and later gold and other minerals such as uranium, platinum and iron ore. A highly developed industrial capitalism was super-imposed on settler colonial land and mercantile socio-political domination. This capitalism was based on “wage slavery” more typical of advanced capitalist societies, albeit with the idiosyncrasies of settler-colonialism. The initial conflicts over land, cattle, water and grazing gave way to a more significant battle to wrench labour from the land and place it at the disposal of the mines.

Instead of landed-servitude, the migrant labour system was created and extended across the entire Southern African region. As a sub-imperial power in relation to much of Sub-Saharan Africa, South Africa has long played a leading role in the region, exporting both capital and goods, whilst importing labour and raw materials. From settler-colonialism, through enforced industrialisation and Apartheid-Capitalism to its eventual attainment of democracy, South Africa's history
has been marked by violence and conflict, and the attendant poverty, deprivation and inequality, which remain largely intact in the first decade of the 21st century.

The success of South Africa’s future will require a redress of the wrongs of the past. South Africa has one of the highest levels of income and other inequalities in the world, and conversely, one of the most progressive Constitutions, one which guarantees both the rights of life, dignity and equality, but also provides justiciable socio-economic rights. Tackling structural inequality, poverty and unemployment must be achieved to prevent social and political implosion in future years. Bold thinking and collective action is necessary to rebuild the country in the years to come.

“Pre-history”
At the Cradle of Humankind in the North West Province, in South Africa, fossils of early hominids dating back some 2.5 million years provide tangible evidence of the central role played by the region in the development of the human race (Wikipedia).

Far more recently, the indigenous people in South Africa can be traced primarily to the KhoiKhoi and the San1 who have lived in what is now called South Africa for millennia. They migrated from Botswana and were hunter-gatherers and nomadic (Byrnes, 1996). In the San society, women were the gatherers and men were the hunters. They lived in harmony, where companionship was expressed in a continuous series of gift giving of objects such as jewellery and ornaments. In direct contradiction to the current levels of inequality in South Africa, these societies were acephalous. Important decisions that concerned the society as a whole were made through informal and consensual consultative processes, although there were, however, people who were quite influential within the society (Blake, unpublished). The areas they occupied were the present-day Northern Cape, Namibia, Botswana and southern Angola. They traded their livestock for copper from the north, iron from Bantu-speaking people and dagga from Mozambique (Byrnes, 1996). Today the KhoiKhoi and the San live primarily in communities in the Kalahari Desert. While the living conditions of the Khoisan were essentially pre-capitalist survivalist in nature, according to Terreblanche (2002), their existence could not be described as “poor”, in terms of the modern-day levels of multiple deprivation experienced today, linked to the social marginalisation experienced by many of the descendants of these early first people. The arrival of the Dutch colonisers (see below) had disastrous consequences for the KhoiSan, leading to the

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1. noun collectively as the Khoisan people. The Khoikhoi were also known as the Khoekhoe
loss of their lands and cattle, the breakup of their communities and destruction of their nomadic lifestyle, and, fatally, the widespread deaths brought about by smallpox and other diseases brought by the colonisers (www.SouthAfrican.info).

Bantu-speaking people (farmers) came from West Central Africa, north of the Congo River, in present-day Cameroon around 2000 years ago (Byrnes, 1996). They split into two groups consisting of the Nguni and the Sotho peoples. The Nguni, who were scattered along the coastal plains on the eastern part of South Africa, hunted game for meat as the herds indicated wealth and were used for ceremonial practices (Byrnes, 1996). They made ornaments from iron, gold and copper and traded with Arabs, Portuguese and other people from far away places. Social structure was quite rigid. Clans were ruled over by a (almost exclusively) patriarchal system of chiefs, paramount chiefs and sometimes kings. Other hierarchical markers included gender (men had more standing than women), age (older people had more standing than younger people) and wealth. The Sotho-Tswana lived inland, created trading towns, centres of cultivation and kept livestock. Their population was 15 000 to 20 000. Their hierarchical structure was more powerful than that of the smaller Nguni tribes (ibid).

Mapungubwe

Mapungubwe was an ancient city and is now an archaeological site on the border between Botswana, South Africa and Zimbabwe. There is evidence that one thousand years ago this city was the centre of the largest known kingdom in the African sub-continent, trading gold and ivory with Egypt, China and India. Gold was smelted into various shapes such as the famous golden rhinoceros. The people of Mapungubwe appear to have left the settlement in the 1400’s, leaving behind their palaces and many artefacts. Historians are not certain why they left.

Both the critical location of early human development in South Africa, and the splendour and sophistication of civilisations such as Mapungubwe expose the fallacy of the notion of a deep, dark and backward continent, waiting for enlightenment and civilisation to be brought by the imperial colonisers waiting in the wings.

Colonisation by the Dutch and the beginning of ideological apartheid

South Africa was of importance to the northern colonial empires originally due to its position – lying between Europe and India. South Africa was in fact first “discovered” for Europe by a Portuguese explorer, Bartolomeu Dias, in 1487 as part of a search for a secure trade route to India (Wikipedia, South Africa). Subsequent to that, in 1652, the Dutch East India Company, also known as the
Vereenigde Oostindische Compagnie (VOC), established a refreshment station at the Southern tip of the country which was by then known as the Cape of Good Hope. Here, Dutch fleets trading in East Asia could stop and get supplies during their passage. Initially, the VOC had little interest in settling in the area beyond what was required for the immediate needs of their fleets, but in response to pressure from some of their officials, the Company allowed the settling by a group of people known as the “free burghers”. The free burghers were to sell all their farming produce only to the company at a fixed rate, laying the foundations for relations between state and producers of later years.

Thus were the agricultural and pastoral industries established in South Africa. To maximise surplus, over time more labour and land was required. The VOC and the free burghers initially secured both on highly exploitative terms from the local KhoiSan, but in 1657, the VOC approved the capture and import of slaves from West Africa, Madagascar, Mozambique, Ceylon and Java (Nkosi, undated). The enslavement came to an end in 1833 as a result of the passage of the British Slavery Abolition Act in response to pressure by British abolitionists (Terreblanche, 2002). The Europeans had never seen Africans as humans that deserve equal treatment, hence the racism that has persisted until the present day.

**Colonisation by the British**

During the time of the French Revolution, France had conquered the Netherlands. Because Britain was at war with France at that time and did not want French rule to be extended to the Cape, the British took over the Cape in 1795 in order to protect their own interests in Australia and the East. Britain then returned the Cape to the Dutch in 1803, but the VOC was virtually bankrupt by then. In fact, shortly afterwards, the once mighty VOC which had fed the imperial needs of the small home country, folded. Britain proceeded to annexe the Cape Colony in 1806 (Wikipedia – South Africa). The free burghers remained in the Cape for some years.

**The Great Trek**

The Dutch descendants were dissatisfied with British rule in the Cape because, inter alia, the British abolished slavery without adequately compensating Dutch slave owners and because the British returned land and cattle confiscated from the Xhosas after wars that had erupted between the Dutch and Xhosas (Mills). Approximately 12 000 people of Dutch descent trekked (moved) with ox wagons, servants and cattle and moved inland from 1838 where they established their own states, namely the Orange Free State situated between the Orange and the Vaal
rivers, and the South African Republic (Zuid Afrikaansche Republiek), to the north of the Vaal River. Their journey consisted of land seizures and bloodshed of indigenous people who lived inland. Four states then co-existed in the area of the current South Africa – the Cape Colony and Natal which were under British sovereignty and the two inland independent Boer republics. Indigenous people were increasingly relied on to provide labour at highly exploitative wages or payments in kind.

In the 1820’s, Britain settled some 5 000 British settlers in the eastern parts of the Cape Colony, effectively a buffer zone between the Cape and the Xhosas, increasing the tensions over land and labour which led, in turn, to a number of “frontier wars” along the Fish River.

In about 1816, a young Zulu paramount chief, Shaka assumed leadership in the current Kwa-Zulu Natal. He is (not without dispute) hailed for having united the Northern Nguni people into a single formidable Zulu nation, numbering more than 250 000 people (Wikipedia – Shaka). The British also fought a number of battles against the Zulu as Britain sought to subdue the annexed colony of Natal.

Mineral revolution
Diamonds and gold were discovered in South Africa in 1867 and 1886 respectively. The British annexed the land on which diamonds had been discovered, defeating rival claims by the Zuid Afrikaner Republiek and the Griqwa people and incorporating it into the Cape Colony.

This land produced four mines and developed into the city now known as Kimberley. Black labour was used in the mines and as the internal markets expanded, Black farmers in the British colonies produced more foodstuffs to cater for the rising demand. They became a relatively prosperous peasantry (Deane, 2005), which threatened the supply of cheap labour that was required for the emerging mining and agricultural interests. In 1894, then Prime Minister Cecil John Rhodes passed the Glen Grey Act, which established the Government’s ‘native policy’, a precursor to the subsequent Apartheid policies from 1948 onwards. The main objectives of the act were to establish a United Transkeian General Council (Bunga) system of local councils for the governing of Africans in the Transkeian Territories based in Umtata (as it was then called) and to ensure the ongoing supply of labour through the introduction of a hut and poll tax that forced families to send men to work on the mines in order to pay the tax (Stadler, 1987).

The discovery of gold in the Witwatersrand in 1886 brought relative economic prosperity but the influx of foreign miners threatened to undermine the political project of the Boer republic. The poor quality of the ore, as well as the depth of the
deposits required high capital investment which restricted the possible involvement of small-scale producers (Stadler, 1987). Of the 600 mining companies that were registered between 1881 and 1932, only 57 remained, and these were, shortly thereafter, controlled by a group of only 6 companies (ibid), laying the seeds of the highly monopolistic structure of the South African economy. These discoveries marked the beginning of the capitalist system proper, as opposed to forms of mercantile capitalism and settler-colonial land ownership, and a new industry upon which the economy would depend (Valentine, 2004). The expansion of the mining industry encouraged economic growth as foreign investment increased. Cash and credit from international banks, private lenders and the South African Government became more available for local farmers and mine owners (Byrnes, 1996).

Britain was determined to control the gold mines, which led to the two Anglo-Boer wars (now known as the South African War, in recognition of the role and impact it had on all South Africans) of 1880-81 and 1899 to 1902. The British, having failed to beat the Boers in the first war were successful in their second attempt (Wikipedia-South Africa). The tactics used by the British gained the country great notoriety, including the first well-known use of concentration or internment camps for civilian Boer women and children. This victory led to the formation of the Union of South Africa in 1910, a dominion of Great Britain (ibid).

In only one of the four new provinces, the Cape Province, Blacks and Coloureds enjoyed a limited franchise and could be represented only by White representatives in parliament if they satisfied property and literacy requirements (Seekings et al, 2005). From this point on, there would be a series of segregationist legislation designed to entrench colonialism.

**Restriction of movement, dispossession and the destruction of the black peasantry**

The first restriction on the movement of people came in the form of a pass system introduced in 1760 to control the movement of slaves. In 1809, this was amended to control free labour by linking freedom of movement with the proof of employment (Stadler, 1987). The 1913 and 1936 Land Acts restricted black Africans access to land to about 8% and then 13% respectively (Gelb, 2003) of the total area of the country, despite the fact that they represented about 80% of the total population (Seekings et al, 2005). Today 85% of land is still White-owned (Fakude, 2009).

This land was known as “reserves” or “homelands” and later, the South African State declared various former reserves to be independent “Bantustans”. The conditions on these lands rapidly deteriorated as a result of a combination of
factors. The obvious issue of overcrowding led to destructive over-utilisation of the land. Further degradation from grazing occurred as people bought sheep to be able to pay the imposed taxes. Many men worked for nine out of 12 months on the mines, which meant that most work had to be done by women, youth and children. After a while, people living in areas that had been net exporters of food began to buy food from traders rather than produce their own (Stadler, 1987). Eventually these conditions led to a virtual total destruction of local economies and the demise of the black African peasantry that had emerged since the 1870’s, particularly in the Eastern Cape (Bundy, 1979).

To provide a justification, the white ruling elite often argued that the homelands were meant to sustain the needs of black African families, and indeed, to subsidise the incredibly low wages that were paid to migrant workers, especially mineworkers. The homelands were also used to justify the removal of political, social and economic rights from Black Africans (Stadler, 1987). The conditions on the mines were extremely cruel, with workers living in virtual prisons or compounds. Even the provision of food and clothing was controlled by the mines. According to Stadler (1987), the 1911 Native Labour Regulation Act laid the “foundation of the Spartan fabric of welfare measures evolved by the South African state to maintain the African workforce in sufficiently good condition to withstand the rigours of the labour it performed” (39). In fact, black mine workers’ wages fell in real terms between 1910 and 1942. White miners earned between 10 and 20 times more than black workers (Stadler, 1987). In effect, mine workers were subsidising the profits enjoyed by capital, in return for a brutal and boorish life.

**The formation of Apartheid-Capitalism**

Already from 1880, arable agriculture land had become a scarce resource due to the competing demands and the expansive patterns of white migration. Patterns of inheritance amongst the Afrikaaner families (white Afrikaans-speaking South Africans) resulted in the ever-dwindling size of land, with negative effects on productivity, leading to small Afrikaaner landowners therefore becoming bankrupt and “bywoners” - squatting on the land of others. In 1920, about 20% of whites were estimated to be living in poverty. The majority of these were Afrikaaners and unskilled, and had previously been farmers or sharecroppers (Seekings et al, 2005). They found themselves competing with Blacks for the same jobs (Terreblanche, 2003). Even today, one finds that most poor Whites are Afrikaaners. Subsequent state actions were developed to uplift the Afrikaaners, generally at the cost of black South Africans.
The formation of Apartheid-Capitalism, and its essential features, related specifically to the needs of mine owners, referred to as the Randlords. The deep-level mining which was required to extract the ore made mining in South Africa a very expensive and dangerous endeavour. Boring several kilometres into the earth's crust was technically challenging, requiring high numbers of skilled artisans and engineers. The skilled labour was invariably white, largely foreign. They were also often unionised and militant, but being indispensable to the production process placed them in an advantageous bargaining position. The equipment needed was not only expensive but also had to be imported and transported to the mines in the interior of the country at great cost. Off-setting these high costs, skilled white labour and imported capital equipment necessitated the super-exploitation of black labour - not so much as a matter of ideology or racist belief systems, but more in pursuit of profit.

Securing labour at next to no cost improved the overall profitability of the mines and their owners' wealth, much of it concentrated in the imperial centre of Britain. Elaborate schemes such as indentured Chinese labour were tried to quench the mines' thirst for cheap labour. An extraordinary system, possible only because of British and to a lesser extent Portuguese occupation of virtually the entire Southern African region, was created to force black labour off-land (or any other economically viable activity) and into the trains. From the trains black men were in turn forced onto the compounds and from the compounds into the mine shafts. Black labour flowed, in a steady stream, from Malawi, Mozambique, Northern and Southern Rhodesia, the South African hinterland, Lesotho and Swaziland. It was rather convenient that this “native” labourer was indeed not a worker at all and hence had no claim to wages as such. This unique system of super-exploitation – somewhere between a system of actual slavery and that of feudal servitude was the bedrock on which the system of Apartheid-Capitalism arose and rested: the realisation of super-profits through super-exploitation of the “native” population, in South Africa specifically, but throughout the region as a whole.

When in 1922 mines tried to replace White workers with cheaper Black workers for the purpose of larger profit margins, the White mineworkers declared a general strike² (Seekings et al, 2005). The South African Party of General Jan Smuts brutally suppressed the General Strike, immortalised in one slogan, “Workers of the World Unite for a White South Africa”.

Two years later general elections were held where the Nationalist and Labour parties formed what became known as the “Pact Government”. The Pact

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² Workers united around slogans such as “Workers of the World Unite for a white South Africa”.
Government introduced their “Civilised Labour Policy” that consolidated the labour colour-bar of job reservations along racial lines, and wage differentiation, again along colour lines. Incentives were put in place for firms to hire White labourers instead of Blacks even though this would be more costly. The Pact Government imposed import tariffs to heighten local demand to sustain employment-heavy economic activity. White-owned farms also benefitted in that government began providing them with production and export subsidies, cheap credit and preferential railway tariffs among other things (ibid). Extensive Public Works were introduced to provide livelihoods for the poor Whites who could not be accommodated even under the above special initiatives.

In 1924, the Pact Government enacted the Industrial Conciliation Act to reserve certain jobs for Whites. This act also prohibited Black Africans from registering trade unions or attaining membership in registered trade unions. Only Whites, Coloureds and Indians could be members of trade unions and could negotiate conditions of employment. The act introduced the colour-bar in trade unions and allowed wage fixing for Black workers (Matajo, undated). White wages by contrast, were determined by the Wage Board at levels that could cover a whole family adequately (Seekings et al, 2005).

During World War 2, while gold constituted two thirds of South Africa’s economy and three quarters of its export earning, wartime demands resulted in the growth of the manufacturing industry. As industry grew, more Blacks moved into urban areas to work and constructed informal settlements along the outskirts of hubs such as Johannesburg and Cape Town (Deane, 2005). Black manufacturing workers earned much higher wages than Black Africans working in mining or agriculture, but they were also responsible for their own housing, transport and subsistence. As Black workers demanded better wages and working conditions, they formed their own trade unions. Protests and strikes were violently stopped by law enforcement (ibid). The Durban strikes of 1973 provided a watershed for labour relations amongst Black workers. Independent Black African trade unions emerged after this, replacing the system of “parallel unions” that was established after the 1956 prohibition on mixed unions, and wages began to rise. Black mineworkers’ wages, stagnant since 1910, improved within five years after 1973 (Seekings 2005; Stadler, 1987).

**Official Apartheid**

In 1948, the Apartheid policy was officially introduced by the National Party after it won the national elections. This party was in power until the first democratic government was elected on 27 April 1994 under the African National Congress.
Since 1948, more than 350 laws were passed with the purpose of entrenching racial inferiority and superiority (Deane, 2005). Apartheid – or “separateness” was justified on the basis of “separate but equal development”. Based on a foundation of intersecting pseudo-scientific notions of difference, a heady identification with the oppressed biblical chosen race and a bigoted, deliberate exploitation of the majority of South Africans, Apartheid affected the rights of Blacks (and hence privileged White rights). These included common political rights, exclusion from decision-making institutions in society, residential choices, rights of movement, educational issues and issues of welfare, amongst other things (Stadler, 1987).

Afrikaner nationalism, as espoused by the National Party, regarded South Africa as God-given to white people in general, and Afrikaaners in particular, on spurious theological grounds. General control and separation of population groups was heavily enforced and various laws in pursuit of this objective were enacted through the all-white Parliament. Having possession of Namibia, then called South West Africa, as a disputed United Nations mandated territory, gave the Apartheid state a ready-made testing ground for much of its policies, where the local population was no less brutally treated and oppressed.

The education system, through the implementation of the notorious Bantu Education Act of 1952, ensured that the educational potential for Black African children was limited so as to ensure that they would always be destined to be workers (Ocampo, 2004). The curriculum was used to maintain unequal social, economic and political power relations (Seepe, 2008). The children were groomed for unskilled labour. Girls were taught subjects such as needlework and housework. Boys were taught gardening and woodwork. The object was to provide a steady supply of cheap labour for the mining, manufacturing and commercial farming industries.

The Population Registration Act of 1950 classified people into four race categories, namely, Native, Coloured, Asiatic and White. The Group Areas Act of 1950 forced people of different races to live in different parts of the country. It restricted Black business ownership in certain cities; one could only own one establishment and Black businesses were restricted to certain markets. In 1959, the Promotion of Bantu Self-Governing Act was enacted. This legislation gave political rights to Africans only in the Homelands; therefore, the Government did not recognise them as citizens of South Africa – in other words the citizenship of millions of South Africans was systematically removed. The independence of homelands from White South Africa was not recognised by the international community (Omond, 1986). This enactment was at a time when decolonisation was taking place in other African states. The international community no longer
condoned obvious segregation. The South African Government declared the Bantustans as independent to disguise discrimination under their “separate development” policy (Deane, 2005).

**Global and domestic crisis - militarisation, reform and repression**

In 1971 President Nixon of the United States of America suspended the official convertibility of the dollar into gold. This was part of what is known as the Bretton Woods System, whereby adjustable exchange rates could be managed by the International Monetary Fund. This resulted in the fluctuation of the gold price and rising inflation. At the same time the 1973 and subsequent wage strikes forced businesses to incur higher labour costs (Legassick, 2006). The wave of strikes in and around the Durban area gave birth to the independent black trade union movement, which over time would emerge as a significant social and political actor, without which it is arguable that the eventual collapse of Apartheid and the relatively peaceful political transition would not have occurred. Fear of an organised, militant and socialist trade union movement prompted much concern among the ruling elite.

The economy suffered even further after the Soweto uprising in 1976 by Black students, as international investors started withdrawing investments. Mass action by the youth and workers’ movements had alerted the international community of the human rights abuses imposed on Blacks and the international community imposed financial, political and other types of sanctions on South Africa (Laverty, 2007). To make economic matters worse, in the 1980’s government incurred massive debts by financing the administration and defence of Apartheid. The isolation of South Africa from the international community caused living standards of Whites to drop. Government deferred most of its resources from social spending to military needs to sustain Apartheid (ibid). Businesses also suffered both as a result of the worsening standard of living of the Whites and the impact on productivity of increasing industrial action. Government therefore experienced a large amount of pressure from big business as well as the rest of society to change its policies (Gelb, 2003).

In 1986, secret negotiations between the ANC and NP members began at a time of very heavy state repression and states of emergency. In 1989, F. W. De Klerk of the National Party became President and initiated discussions with ANC leader Nelson Mandela, still then in prison, to negotiate the imminent policy shift. International business people with vested interests in what shape the country would take, were also actively involved in such discussions. In 1990, De Klerk announced the release of Nelson Mandela, and the unbanning of all political organisations
and other anti-Apartheid organisations. In 1991, critical segregationist legislation mentioned above was abolished. Four years of bloody, low-intensity violence (state-sponsored violence) followed the unbanning. Negotiations were often called off by the liberation movements in the face of popular anger and mass action until the first democratic elections were held in South Africa on 27 April 1994.

Conclusion
South Africa’s recent history resonates with imposed systems of oppression and, on the other hand, privilege. Racist ideology of white superiority does not fit in with the evidence of ancient and proud civilisations in the region. Current patterns of inequality have very deliberate roots in a tangled mix of racial capitalism and earlier colonial extraction. The history of South Africa might have played out very differently had diamonds and gold not been discovered as and when they were. The still highly extractive, export-oriented, monopolistic structure of the economy continues to reproduce its own limitations with regard to its capacity to expand, and the limits to its ability to include more people in the formal labour market. The role of the former Bantustans, in terms of providing unlimited cheap labour without the need for any sort of social protection has, it has been argued, been replaced by the notion of a “second economy” of people surplus to the functioning of the formal economy, and yet, in fact, very necessary for the continued operations of the formal economy (Frye, 2005).

As we will see later, South Africa is a country in very serious crisis. Fifteen years into the democratic project, the seemingly impenetrable layers of marginalisation and poverty that characterise the lives of many millions of South Africans has led to deep anger and frustration that is highly flammable. The economic and political choices made by the new government need to be reconsidered very seriously. Received wisdom needs to make place for alternative modes of thinking. The “There is no Alternative” mindset needs to be replaced with enquiry that is as tenacious as it is bold, reflecting the legacy of the struggle for freedom and victory fought against the very well-resourced and powerful Apartheid state machinery.

Structure of the economy and socio-economic policies after Apartheid
Fifteen years into the new democracy, the South African economy appears to have more similarities than differences to the former Apartheid economy. Many of the redistributive directions set out, for instance, in the Freedom Charter of 1955 still inform national policy discourse but much of the more structural steps, such as nationalisation of the mines, are today dismissed by the State as being impossible
to implement. These dismissals are always couched in a slightly patronising manner which suggests that while the demands of the Freedom Charter might have a resounding ring to them, they were drafted by visionaries unversed in the demands of realpolitik. In this chapter, we shall examine the restraints that face our economy, based on its inability to transform from reliance on primary extraction. Then, we shall consider briefly the macro-economic policies that the State adopted at various times during the last 15 years.

Structure of the economy
Mining and agriculture have historically been the two mainstays of the South African economy. South Africa is very mineral rich, with large deposits of gold, diamonds, uranium, platinum and coal amongst others (Houghton, 1973). The discovery of gold and diamonds, mentioned in section one, spearheaded industrial and economic development in South Africa. Railways were quickly laid down to transport people, equipment and the mined products to and from the ports, and the rapid growth of urban human settlements provided a demand for agricultural and manufactured products (ibid). Much of the manufacturing was for domestic use, for a variety of exogenous factors (post WW1 shipping restrictions, currency depreciation after the 1933 collapse of the gold standard etc). Investment in manufacturing only really took off in the 1920’s (Gelb, 2003).

The manufacturing sector, in fact, became the most productive sector in the early twentieth century (US Congress Library – South Africa – Manufacturing). The labour-intensive mode of production in the 1930’s was followed, after 1945, by capital-intensive manufacturing of consumer durables and heavy intermediate goods (Gelb, 2003). Mining and mineral exports financed the importation of many of the productive machinery. Thus, by the 1970’s when the market for import substitution began to exhaust itself, South Africa, bound by fixed price product import, could not successfully compete internationally for markets (ibid).

Primary extraction for export and agriculture still provide the backbone of the South African economy today; in other words, the economy persists in resembling that of a colonial country in respect of foreign exploitation of human and natural resources (Stadler, 1987). The capital required for investment and expansion, however, unlike many other former colonies, was largely domestic, which provided a degree of independence and control that has itself changed significantly since 1994.

The state was particularly active in the economy as a player, through the numerous parastatals established in various sectors (e.g. transport, minerals,
Both manufacturing and agriculture, however, began to lag behind proportionately in their contribution to GDP since the 1970’s (U S Library of Congress – South Africa, in Stadler, 1987). According to Stadler (1987), “despite the complexity and scale of its manufacturing sector, South Africa had, by the 1970s, begun to show the atavistic tendency to return to the typical form of a colonial colony”, with most manufacturing having an “intimate and dependent relationship with mining” (33).

Further, the South African economy was tightly controlled by 6 financial monopolies. Growth was restricted as well by a lack of skilled labour as a result of the Apartheid education policies of deliberately teaching Black men and women only the skills and knowledge required to be poorly-skilled manual workers. As the proportion of manufacturing as a contributor to GDP fell since the 1970s, the services sector began to grow. The implications for labour market policy is clear: Services require skilled workers, whilst manufacturing and agriculture absorb both
semi- and unskilled labour respectively. Poorly-skilled workers became increasingly surplus to the economy.

Prior to the democratic transition, the economy was weak. Per capita income had declined by more than 10% in the 1980s based on very low growth (averaging 1.5% per annum). High inflation and the debt crisis affected capital-intensive industries, particularly in the 1980s, with very negative implications for the textile, footwear and industrial chemical industries, and non-ferrous base-metal industries (US Library of Congress – manufacturing).

GDP declined in both 1991 and 1992, with a very slight increase in 1993. From 1994, growth strengthened with a year-on-year growth of 2.6%, and continued to grow until 2008 (US Library of Congress). In 1994, South Africa produced in excess of one third of all Africa’s goods and services, and almost 40% of all manufacturing output (ibid). Despite its political, diplomatic and then economic isolation from the world as a result of sanctions introduced to influence the State to abandon Apartheid, South African capital continued to be invested in the region (Stadler, 1987), and neighbouring states relied heavily on South African investment and goods.

State policies

The RDP 1994 to 1996

The African National Congress (ANC) had come to power on a widely canvassed platform known as the RDP (Reconstruction and Development Programme) in 1994. The RDP set out to address 4 inter-linked challenges:
• Build the economy;
• Meet basic needs;
• Democratise the state, and
• Build human capacity.

Much of the RDP was conceptualised and understood as being directed at addressing the challenges of poverty and inequality. However, translating the RDP from an election manifesto into coherent government policy proved more difficult than perhaps was anticipated at the time of drafting. By 1996, the Office of the RDP was closed, ostensibly for reasons related to the efficacy and efficiency of having a “super-ministry” charged with overseeing delivery of the RDP programmes by other departments.
GEAR: Home-Grown Structural Adjustment

In 1996, Government introduced its Growth, Employment and Redistribution (GEAR) strategy. In a marked departure from the RDP, this new policy focused on macro-economic stability, attracting foreign direct investment and shedding “inefficient” or “unnecessary” entities from the public budget into private hands. Many in the ruling ANC and in civil society were caught unawares by the introduction of what is now widely accepted as a home-grown SAP for South Africa. The conflicts and deep divisions created by GEAR, particularly in the Tripartite Alliance, re-enforce the perception that GEAR was less (or at least as much) about “sound macro-economic management” as it was about the ANC disciplining the Black working class and its organisations. GEAR was imposed not only as government policy but also as official ANC policy at the 1997 Mafikeng Congress of the ANC.

It was claimed by its authors and champions that the primary focus of the GEAR strategy was poverty reduction through growth, which was to be achieved through greater export-competitiveness, growing foreign investment, and productivity improvements which would, it was claimed, create many decent jobs. GEAR stressed the need to adopt economic policies that would encourage investment in the economy and allow South Africa to compete in the global marketplace. Termed by some civil society critics as being “internal structural adjustment”, some of the primary components of the GEAR strategy were as follows:

- Deficit Reduction;
- Tight Monetary Policy;
- Trade Liberalisation;
- Removing Exchange Controls;
- Regulated Flexibility of Labour Markets;
- Productivity Improvements;
- Education and Training.

GEAR was successful in reducing state spending, inflation, and the budget deficit. Steady but slow economic growth occurred, but this failed to bring about the desired levels of job creation that the authors of GEAR had claimed would flow as inevitable outcomes of economic growth.

These jobs would be the conduit by which the benefits of the growth would trickle down to the poor. The statistics, however, confirm peoples’ own knowledge that this did not happen. Civil society claimed that this constituted “job-loss growth” at worst, or “job-less growth” at best, claims which were rejected by the State. The end of GEAR was heralded by the adoption of moderately expansionary national
budgets from 2001 onwards. But the effects of GEAR have been devastating on South African society, the South African State and the economy. Having inherited huge developmental deficits and backlogs, restrictive state expenditure and fiscal austerity under GEAR further reduced the capacity of the State to effectively tackle the backlogs. The illusory pursuit of foreign direct investment, coupled with de-listing and virtually unrestricted capital flows and speculative investments, created an economic bubble for the rich and to a lesser extent a new managerial and rentier class of Black capitalists. This was achieved at the expense of the vast majority of South Africans, forced to survive on inadequate and limited social services, such as grants and the nebulous “social wage” policies of government.

The contestations around GEAR as a policy, its near total dominance as the guiding spirit in key government ministries, such as the National Treasury, continue in South Africa today. Although GEAR, as a formal policy, no longer exists, its key tenants and approaches remain deeply entrenched among the technocratic layers and even within the political elite. The failure to reverse GEAR, through the adoption of expansionary and developmentally sound policies, hampers the ability of the State to redress the harm it has caused and set a clear and unambiguous new course for people-centred development.

Apartheid debt – real or imagined?

In 1994, one of the first actions of President Nelson Mandela’s government, was to write off the (illegal) debt of the Namibian Government owed to South Africa. South Africa, first as Union, later as Dominion and later still as (White) Republic had maintained a disputed mandate from the League of Nations, later transferred to the United Nations, of occupation of South West Africa (Namibia). This was as a reward for suppressing the German occupiers of that country in World War I at the behest of the British Empire then at war with Germany.

The Mandela government recognised the illegitimacy of these debts, now burdening an independent Namibia. Intriguingly, this action raised questions of South Africa’s own debts, accrued under the self-same illegitimate Apartheid regime. The peculiar response of South Africa’s democratic government was alternately the denial of such debt or demonstrating an acceptance of their legitimacy. In the final years of the Apartheid regime, widespread looting of the State coffers occurred, coupled with massive borrowing, in part to burden the incoming ANC Government with significant debts and to limit the scope of manoeuvre of the democratic State to borrow in order to fund the required public expenditure which was needed to redress Apartheid legacies of inequality. The International Monetary
Fund and other global institutions were also anxious to attain guarantees from the incoming ANC that fiscal and economic prudence would be pursued, essentially safe-guarding Apartheid wealth under the guise of respecting property rights and government obligations to repay the debt.

The enormity of this debt is, in part, attributable to the decision-making which underlined the acceptance of neo-liberalism in the ruling ANC. As estimated by the Alternative Information and Development Centre in 2000: “What can be said at this juncture, despite these difficulties, is that the total Apartheid debt is very large and can be measured in hundreds of billions of rands... The Pension Fund (GEPF) accounts for some 40% of the debt, which means it was in the order of R151-billion, at the end of March 1999” (AIDC, 2000).

Due to the sanctions imposed on the South African Government, loans to support the Apartheid State were procured through public enterprises, private South African banks and financial institutions as well as other instruments and private companies. Demands for full disclosure, transparency and reparations for the Apartheid debt were made by civil society groups since the formation of Jubilee South Africa in 1998 and the Khulumani Support Group.

Civil society groups and organisations campaigned against the Apartheid debt under the principle of “Odious Debt”, which under international law established that debt accrued by illegitimate regimes could not be upheld and enforced. Political wrangling has ensued for the past 10 years between government and civil society, which filed civil suits in the United States of America against various companies based there on behalf of support groups of victims of Apartheid. However, in an apparent acceptance of the lawfulness of these claims, President Jacob Zuma’s administration in 2009 reflects a changing attitude on the part of the State and may allow their veracity to finally be tested in court.

**Other state economic policies**

Government’s two major policy frameworks, the RDP and GEAR, have been supplemented by various other “secondary” policies and programmes that sought initially to fix the economy, but more recently have articulated the need to have better avenues for the sharing of the economic wealth by the inclusion of more people in the formal economy.
Voluntary agreements by business, government, labour and community constituencies of the statutory social dialogue body, NEDLAC. Each sector agreed to commit to various interventions to fast-track development and tackle unemployment, restructure and revitalise the economy in the face of growing challenges of the country in the global economy. Economic and industrial sectors were identified through which investments would be made to enhance economic growth (“sector strategy growth initiatives”). Public sector investment was to be matched by private sector partnerships and government committed itself to increase spending on the Expanded Public Works Programme as well as poverty-relief initiatives. The emphasis of the GDS was on restructuring the economy through focused public-private partnerships intended to enhance both investment, productivity, labour market opportunities, skills and equity within the economy.

The final document was significantly watered down through the negotiation process that led to its adoption. Few benchmarks were met, ownership waned and it is unclear whether the commitments are still monitored by NEDLAC EXCO.
<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated and Shared Growth Initiative South Africa (ASGISA) and Joint Intervention for Priority Skills Acquisition (JIPSA): 2006</td>
<td>In terms of these new policy articulations, growth was seen as necessary but not sufficiently dynamic for poverty-reduction. To have a significant effect on poverty, the benefits of growth must be better ‘shared’. ASGISA envisaged achieving the goals of halving poverty and unemployment rates through increasing the economic growth rate to 6 percent p.a. and sharing growth, primarily through absorbing more labour into the ‘mainstream economy’. Key elements of the plan included increased public investment in infrastructure, accelerated skill development, and reducing the regulatory burden on small and medium-sized business.</td>
<td>Despite very positive annual reports on the achievements of these policies and initiatives, little visible impact is available, and the statistics underline firstly that the economy falls short of the economic growth target, and secondly that the anticipated inclusion of workers into the formal sector has not materialised as planned.</td>
</tr>
</tbody>
</table>

JIPSA was adopted specifically to ensure that the necessary skills were available to support these initiatives, and certain labour and immigration red tape was cut in order to source or import these anticipated skills.

**Conclusion**

The policies developed and adopted by the democratic State appear to have lacked both the vision and the boldness to develop the economy in a manner that was required to effect the necessary transformation in 1994. This transformation was not only about broadening access and ownership - transformation was also necessary to break away from the mode of production and the lack of backwards and forwards linkages in the mining process that produced self-imposed limitations to economic growth. In the final chapter, we shall consider ways of transforming the economy “from below”. The awkward questions of what is to be done to transform the existing focus and modes of production of the formal economy, hailed as the largest economy driving the African continent, will hopefully be tackled in an inclusive manner driven by the new National Planning Commission.
established in the Presidency since the last national elections.

Inequalities and Attempts to Address Them
This section outlines the multiple domains of inequality in South Africa and the ways in which this is manifested, together with an attempt to understand old causes and new drivers and how they deepen differing levels of vulnerability. The ongoing economic privilege of white interests is evident from the data presented, as is the worsening of the conditions of the most vulnerable. Wealth and income inequality has increased, reinforcing the pathological notion that ascribes poverty to individual weakness and failings.

The state reflects its rhetoric of wanting to reduce poverty and inequality in a number of its policies. Often, however, policies are based on assumptions that fail to see deeper linkages to secondary obstacles that affect the ability of people to move out of poverty. This calls for far greater consultation with poor people about their needs so that the knowledge and expertise of affected people can come to the fore.

Inequalities within South Africa are rife. South Africa has one of the highest income inequalities in the world. Despite being an upper middle-income country, millions of people live in dire poverty and destitution, while a small elite continues to profit and prosper. Many of the causes of inequality are deeply rooted in previous colonial and apartheid policies and laws. However, new drivers of inequality are emerging which have the potential to entrench past causes and deepen other divides. How a country decides to deal with inequality is a litmus test of attitudes towards equity, social cohesion and values.

Inequality does not just offend against the enjoyment of equal rights and considerations of justice. It has very specific social and economic implications. Inequality retards economic growth in any country because only those who have access to resources are able to participate in the economy. In addition, if disposable income rests in the hands of a few, they are more likely to spend it on expensive imported goods, rather than on locally produced goods. Local economic production in poor communities and townships invariably fails because people do not have enough income to buy those goods and so turn the business into a going concern. However, of even greater concern is the fact that according to the World Bank 2006 World Development Report (Equity and Development), in countries with high income inequality, the potential of any programmes or state spending to eradicate or reduce poverty is virtually nil, given that the structural nature of exclusion will not allow people to move out of poverty and into sustainable livelihoods.

Poverty and inequality in South Africa have racial, gender, spatial and age dimensions. The concentration of poverty lies predominantly with Africans,
women, rural areas and Black youth. South Africa’s cities are the world’s most unequal cities and inequalities are continually re-entrenched due to structural conditions. The unequal distribution of income is at its peak for over a decade, after the end of Apartheid, and the correlation between poverty and unemployment is undeniable. The HIV/AIDS pandemic has impacted disproportionately on the most vulnerable – the poor, the working poor, women and children and, hence, poor communities.

State obligations to promote equality

Section 9(1) of the Constitution of South Africa (Act 108 of 1996) states that:

“Everyone is equal before the law and has the right to equal protection and benefit of the law”. This statement of formal equality is expanded through the provisions of subsection 2 which obliges the State to take active steps to address and reduce inequality:

“Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken”.

The State’s obligations to realise the rights in the Constitution are set out in Section 7, which enjoins the State to “respect, protect, promote and fulfil” the rights contained therein. This “formulation not only obliges the State to put in place measures to protect existing access to rights, but also places an active obligation to “promote and fulfil” access to the rights and protection contained in the Constitution.

Gender

Poverty and inequality have a specific gendered dynamic. In South Africa, Black women are particularly affected by a multi-faceted layering of inequalities (Khanya, 2005). Primary responsibility for social reproduction and households falls on the shoulders of women. This has international resonance that has relevance not only

3 Triegaardt, J.D. Reflections on Poverty and Inequality in South Africa: Policy Considerations in an Emerging Democracy. ADRU.
to situations of single carers, but also when considering inter-household allocations. Alcock (2006, quoted in Frye, 2007), refers to the notion of “compulsory altruism”, where women, as primary carers, usually absorb poverty shocks by reducing their own consumption and giving preference to the needs of the males and children in the household. In societies struggling to emerge into rights-based democracies, including South Africa, inequality of voice and decision-making is a further obstacle to be negotiated by women, and this in turn affects many other domains of inequalities. South Africa’s patriarchal past, deeply embedded the differentiated social formations of tribe, class and race, and further hampers the realisation of gender equality and equity.

In a 2002 report, “Women’s struggle to Escape Rural Poverty in South Africa” (Sender, 2002), the author, describing the reaction of urban township-based fieldworkers who were involved in collecting data, wrote as follows:

“They (the young fieldworkers) were visibly shocked and outraged. They all said that they had no idea that large numbers of women still lived in such appalling conditions in South Africa in the 1990s, without a stick of furniture or even a pair of shoes to call their own. They found it hard to believe that so many of their children had died, that so few of them could read or write, and that so many women and children were being forced to accept poverty wages and oppressive working conditions” (page 2).

One of the results of past policies of migrant labour and influx-controlled urban areas is the continued break-up of families, which specifically affects women living in rural areas. A social phenomenon has emerged of “missing men” in rural areas, and in the majority of these situations, mothers receive no contributory maintenance for the raising of children (Sender 2002).

As will be explored towards the end of this chapter, a number of anti-poverty strategies adopted by the State are aimed specifically at addressing this vulnerability, such as the Social Grant Cash Transfers and Expanded Public Works Programmes. It must be noted that such is the multi-faceted nature of inequality that deliberate preferring of women has in turn caused poor and unemployed (and overwhelmingly Black African) men to articulate a sense of further marginalisation which has the potential to threaten constructive attempts to dismantle patriarchal elements within society.

In South Africa, as a result of the deliberate destruction of the Black peasantry and their proletarianisation, people are largely dependent on cash and income for survival. The very high levels of unemployment, linked to the very low wages
paid to the majority of those who are employed, result in a desperate situation for too many people.

**Race**

Poverty and inequality in South Africa have a very clear racial bias as a result of the colonial and Apartheid policies of racial discrimination and deliberate impoverishment. Between 1996 and 2001, whites’ share as a total share of the population fell from 11% to 9%, but their share of the total income increased from 47% to 48%. During this same period, the share of Black Africans as a total share of the population rose from 78% to 80%, however, the total share of income to Black Africans remained at 38% of the total income. This rate has been growing steadily since 1970, albeit from a very low base line. It is thus significant that this rate did not increase between 1996 and 2001 for the first time since 1970, despite the concerted policy and legal instruments that were being rolled out to ensure greater access to income and assets for Black South Africans.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black African</td>
<td>0.62</td>
<td>0.66</td>
<td>0.72</td>
</tr>
<tr>
<td>White</td>
<td>0.46</td>
<td>0.50</td>
<td>0.60</td>
</tr>
<tr>
<td>Coloured</td>
<td>0.52</td>
<td>0.56</td>
<td>0.64</td>
</tr>
<tr>
<td>Asian/Indian</td>
<td>0.49</td>
<td>0.52</td>
<td>0.60</td>
</tr>
<tr>
<td>Total</td>
<td>0.68</td>
<td>0.69</td>
<td>0.77</td>
</tr>
</tbody>
</table>

*Source: HSRC Fact Sheet 1, 2004.*

Race and gender are two cross-cutting drivers of inequality that reflect how individuals and communities are able to access and safeguard resources both concrete and intangible. The following analysis should be read, bearing the above in mind.
Access to income

While money cannot be equated with wealth, or a lack of money equated with poverty, the ability to have control over enough money to purchase and acquire goods and services is a good indicator of poverty or wealth.

Using a Poverty Line of R3000 per person, per annum (R250 per person per month) in 2000 constant rand, we can see that while the percentage of people living below the poverty line increased to over 52% in 1999, it has declined since then.

Table 2. Percentage of people living below a poverty line of R3000 per annum from 1993 to 2006.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of people living below the poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>50.1</td>
</tr>
<tr>
<td>1994</td>
<td>50.5</td>
</tr>
<tr>
<td>1997</td>
<td>51.2</td>
</tr>
<tr>
<td>2000</td>
<td>50.8</td>
</tr>
<tr>
<td>2003</td>
<td>47.6</td>
</tr>
<tr>
<td>2006</td>
<td>43.2</td>
</tr>
</tbody>
</table>

Source: Development Indicators Mid Term Review, The Presidency, 2006 using figures from S van der Berg, 2006 and AMPS data.

The total percentage of people living below this poverty line appears to be dropping. This trend has been ascribed to the large increase in the availability of social grants, particularly since 2000. This suggests that the apparent decrease in poverty is not a structural decrease, but reflects that people are better off on a monthly basis as a result of receiving a social grant.

6 The following sections draw heavily from Frye, I. South Africa: poverty, social security and civil society. Triangulating transformation. Case study of South Africa for Brot fuer die Welt, 2008.

7 These figures are based on a private sector survey, and the sample methodology used for this survey has been questioned for a possible bias towards the middle and higher income bands.
There is a difference, however, between increases or decreases in rates of people living in poverty and the actual number of people in poverty. A table of figures developed by Charles Meth records the number of people living in poverty between 1997 and 2002. We can see that this figure has risen by 3.4 million people. Meth uses a poverty line of R271 per person, per month in 2002 prices, which would be R3 252 per person, per annum. This would be a different value to the previous poverty line given the impact of inflation on prices between 2000 and 2002.

Table 3. Total number of people living beneath a poverty line of R3 252 per annum in 1997, 1999 and 2002 (in 2002 prices).

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of people (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>13,5</td>
</tr>
<tr>
<td>1999</td>
<td>13,6</td>
</tr>
<tr>
<td>2002</td>
<td>16,9</td>
</tr>
</tbody>
</table>


Poverty headcounts, however, cannot give a sense of what is happening to the incomes of anybody who falls below that line. Recent research suggests that while the total rate of people living below the poverty lines has dropped as a result of the social grants, the proportion of people living in destitution (defined as less than US$ 1 per day) more than doubled between 1996 and 2005, and the total number of people living in this category rose from 1.9 million to 4.2 million people. Overwhelming evidence shows that since 1994, the unemployed have increased in numbers, and that the gap between those at the top and the bottom of society has widened. Furthermore, impoverishment and social problems have increased in scale (Legassick, 2006).

Table 4. Number and proportion of people in South Africa living on less
than 1US$ per day from 1996 to 2005 in 2000 constant prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of people</th>
<th>Proportion of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>1 899 874</td>
<td>4.5%</td>
</tr>
<tr>
<td>1997</td>
<td>2 243 576</td>
<td>5.2%</td>
</tr>
<tr>
<td>2000</td>
<td>3 205 217</td>
<td>7.1%</td>
</tr>
<tr>
<td>2003</td>
<td>4 374 079</td>
<td>9.4%</td>
</tr>
<tr>
<td>2005</td>
<td>4 228 787</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

Source: South African Institute of Race Relations South African Survey, 2006/07 page 202

Based on this information, it is not surprising that study after study shows that inequality, especially income inequality, has risen steadily since 1994. Leibbrandt et al find that income inequality has risen from 0.68 on the Gini Coefficient (0 being total equality, 1 being absolute inequality) to 0.73 in 20018. A Fact Sheet on Poverty brought out by the Human Sciences Research Council9 reflected that according to their data, income inequality had grown from a high baseline, 0.69, in 1996 to a higher rate of 0.77 in 2001.

Mean per capita income has grown in all deciles between 2000 and 2005/6, but the distribution of the growth has been very different across income deciles. According to the 2005/05 Income and Expenditure Survey, above-average increases in the distribution of the growth occurred in income deciles 1, 2, 3, and 10, and above – average increases in the remaining deciles. The above-average increase in the lowest income decile has been attributed directly to the impact of the increased access to social grants10. According to this analysis, the top 10% of South Africans earn 50% of the income, while the lowest two deciles access 1.5% of the total national income11. The top decile’s mean income was 94 times that of the lowest decile12.

9 HSRC Fact Sheet 1. 26 July 2004.
10 StatsSA, IES 2005/06, Analysis report, 2 and 35.
11 StatsSA, IES 2005/06, 2.
12 StatsSA, IES 2005/06, 31.
The income of social grants into poor households has been found by StatsSA to lower the Gini Coefficient in terms of income inequality from 0.80 to 0.73, which is significant. As a social policy tool to address inequality in South Africa, the payment of social grants has significance, but the intentional progressive nature of the income tax system has been shown in this IES to have no statistical significance in terms of reduction of inequality (beyond being the source of the revenue for the grants)\(^\text{13}\). This is a powerful argument in favour of extending coverage to social grants to currently excluded poor people, should the State be concerned with the constantly rising levels of income inequality within South Africa.

**HIV/AIDS**

“In a survey of 771 AIDS-affected households throughout South Africa, Steinberg et al (2002) document the impoverishment and burden of care for family members. They find that poor people in South Africa are the most adversely affected by HIV/AIDS, and that those households worst hit by the epidemic are also those underserved by basic public services such as sanitation and piped water. Furthermore, the epidemic deepens poverty among the already poor through loss of income and medical care costs, which absorb up to 1/3 of household income. Children’s schooling is also disrupted, especially among girls, and increasing early childhood malnutrition can be observed. This study also reveals a growing strain on extended family networks: more than 12% of households have sent their children to live elsewhere, most often with relatives.” (Casale and Whiteside, 2006: 6).

The prevalence of infection with HIV and related opportunistic diseases has crippled many communities in South Africa. The incidence of this has affected poor people and communities disproportionately, and women in particular. AIDS has also contributed to an exponential growth of Orphans and Vulnerable Children (OVC) in communities that are already stretched to breaking point.

In South Africa, Zambia and Zimbabwe, young women between 15 and 24 are five to six times more likely than men of the same age to become infected (The Global Coalition on Women and Aids, undated). Patriarchy, domestic violence and economic dependency create challenges for women in terms of being able to negotiate safe sex. The passage of the Customary Marriages Act, No 120 of 1998 in South Africa means that by law widows are no longer seen as belonging to their husband’s families, and are able to legally own their own assets, but in practice it is not clear how much protection this provides to very vulnerable, usually rural, women (The Global Coalition on Women and Aids, undated).

\(^{13}\) StatsSA, IES 2005/06, 35.
According to Statistics, South Africa data sources reported in the Presidency’s Mid-Term Development Indicators, that HIV prevalence amongst the entire population progressively increased from 8.5% of the entire population in 2001, to 11.1% in 2007\textsuperscript{14}. The South African Institute for Race Relation’s figure of HIV prevalence for 2006 was 11.2\%\textsuperscript{15}. The highest HIV prevalence per age and gender cohort was a 20.45\% infection rate amongst women aged 15 to 49 in 2007. The infection rate amongst adult women aged 20 to 64 was 18.1\% in 2007, compared to a rate of 17.7\% for men in the same age cohort. All of these rates have been increasing year-on-year\textsuperscript{16}.

According to the South African Survey 2006/07, published by the South Africa Institute for Race Relations\textsuperscript{17}, out of a total population of 47 866 985 people in 2006, a total of 5 372 474 people were infected with HIV. Of the total number of deaths in the same year (746 432), 354 379 or 47\% of the total deaths were attributable to AIDS. In 2000, 147 525 out of a total of 524 638, or 28\% of total deaths were due to AIDS.

**Unemployment**

Poverty in South Africa is inextricably linked to employment both in regard to the existence of an income or not, and in regard to the value of that income\textsuperscript{18}. Income from wages and self-employment constitutes the largest single source of income for households across all population groups. Accordingly, in order to understand levels of well-being or destitution better, it is important to understand levels of employment and unemployment, as well as levels of wages that accrue to workers.

The 2007 September Labour Force Survey reported that the total working age population was 30 413 000 people. Of this number, 17 178 000 people were considered as being part of the active labour force, namely, those that were either employed, or looking for jobs. Of this labour force, 13 234 000 people were unemployed. The total number of unemployed persons (including discouraged workseekers) was 7 370 000\textsuperscript{19}. The official rate of unemployment for this period

\textsuperscript{14} SAIRR South African Survey 2006/07, 38.
\textsuperscript{15} SAIRR South African Survey 2006/07, 34.
\textsuperscript{16} SAIRR South African Survey 2006/07, 38.
\textsuperscript{17} The SAIRR data for this analysis was sourced from ASSA, ASSA 2003 AIDS and Demographics Model published in November 2005.
\textsuperscript{18} Taylor Committee Report 5, 139.
\textsuperscript{19} The difference between the official definition of unemployment and discouraged workseekers is that to be officially unemployed a person must had no job in the 7 days prior to the interview, but have taken active steps to start a business or looked for work in the previous four weeks and be available to start a job in the next two weeks should
was 23%. Including people deemed to be discouraged workseekers, raises this rate to 32%.

These figures are remarkably high even for a developing country. Studies on the time that people spend seeking jobs, whether these be first jobs or subsequent ones, suggest clearly why poor people fall into the ranks of discouraged workseekers. Of the total number of 3,945,000 officially unemployed (i.e. excluding officially discouraged work seekers) in 2005, 55%, or 2,170,000 had never worked before. This rate was significantly higher for the youth between the ages of 15 and 30 years. Sixty three percent of this age group were unemployed, and of these, 66% (1,641,000) had never worked before. Finally, of the total number of unemployed people in this survey, over one quarter (26%) had been looking for work for a period of longer than 3 years.

McCord and Van Seventer (2004) suggest that the levels of unemployment in South Africa “may be characterised as a chronic labour market crisis”. This characterisation, based on three decades of rising unemployment to 2003 has also been described by Kingdon and Knight in 2000 as “catastrophic” (2000:13, quoted in McCord and Van Seventer). McCord and Van Seventer ascribe the very high levels of unemployment to “major structural shifts within the South African economy, arising from shifts in labour intensity and declining primary sector activity”, and accordingly “Economic growth rates are insufficient to absorb the growing pool of unemployed labour, … Unemployment is structural and will not be significantly reduced in the coming decades without major state intervention” (2004: 2-3).

Age and employment inequality

Unemployment is most severe amongst the youth, and black African youth in particular. Of the total number of officially unemployed people in the Income and Expenditure Survey 2005/06, people in the age groups of 15 to 34 constituted 74% (or 2,932,000) of the total. Of the total of 3,945,000 officially unemployed, 3,461,000 or 88% were Black African people. In total, 2,593,000 Black African youth between the ages of 15 and 34 were unemployed.

Table 5. Official unemployment rate as percentiles by population

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20 StatsSA IES 2005/06, table 5.2.
21 StatsSA IES 2005/06, table 5.1.
From the above table, it is clear that despite improvements in the years reviewed, women are statistically more likely to be unemployed than men. Issues pertaining to education, child care and spatial location contribute to this.

**Formal/Informal Sector Jobs**
The figure for total employment includes both formal and informal sector jobs. In September 2007, formal sector jobs (excluding agriculture) accounted for two thirds or 66.4% of total jobs, while 16.0% of jobs were in the informal sector with a
further 16.8% of total jobs being made up of agricultural jobs and domestic work\textsuperscript{22}. According to Report Five of the Taylor Committee, the absence of decent jobs forces many millions of poor people into adopting survivalist activities, working in poor conditions for long hours for very little income\textsuperscript{23}.

**Salaries/Wages**

Seventy-six percent of all employees in both the formal and informal economies earn R2 500 per month or less. Ninety-five percent of workers in the informal economy and ninety-nine percent of domestic workers earn less than R2 500 per month. A staggering sixty-six percent of workers in the formal economy, however, also earn less than R2 500 per month\textsuperscript{24}.

South Africa is also plagued by price fixing collusion by the dominating essential needs companies\textsuperscript{25}. The biggest fuel companies, dairy companies, grain and milling companies and airlines have been fined millions of Rands by the Competition Commission, but this has not acted as a deterrent because more and more collusions are being unearthed almost on a weekly basis. This crime obviously affects the poor the most because they do not have entertainment or luxury budgets to substitute essential needs. Banks have also been accused of corroborating with regards to service fees\textsuperscript{26}. The lack of competition in the production of goods and services contributes to the widening inequality gap as big business forces consumers to pay more than they should while profit margins rise steadily.

**Successful policies to address poverty and inequality**

This section considers the impact of free education, social grants and Expanded Public Works Programmes (EPWP\textsuperscript{s}) and Black Economic Empowerment (BEE) as policies adopted by the State to address poverty and inequality. The section will also illustrate dangers of unintended consequences of certain policy designs, which weaken the extent of the relief offered by the policy.

\textsuperscript{22} LFS September 2007, Table K.

\textsuperscript{23} Ibid, page 157.

\textsuperscript{24} StatsSA LFS September 2007, Table 3.5

\textsuperscript{25} See for example Gedye, L (18 June 2009) Price-fixing: Pioneer Foods in bid to clear its name. Mail & Guardian.

\textsuperscript{26} Milk price-fixing investigated (30 January 2008) Fin24.com.

\textsuperscript{26} The Reserve Bank Governor stated that the lack of competition in the banking industry was not good and that was the reason that authorities have been trying to break up cartels. Fin24.com (14 May 2009).
Education: Policy of Free Education to Poor Learners

Education is viewed by many development experts as being a critical ingredient in the movement of people out of poverty. Education can provide formal knowledge and lay the basis for the development of skills that might be required for formal employment. It should also provide people with the tools of logic and reasoning as part of an analytical framework that should enable people to make optimum choices even within a limited range of alternatives.

Access to education is not the same as access to quality education, but the scope of this paper does not allow for such a detailed analysis. We shall thus confine the study to that of access to education.

Section 29(1) of the South African Constitution provides that everyone has the right to basic education, including adult basic education, and to further education that the State is obliged, through reasonable measures, to make available and accessible.

To implement its obligations in this regard, Parliament passed the South African Schools Act of 1996 which provides that poor learners may receive partial or full fee exemptions for both primary and secondary education (SPII, 2009). There is a complex formula to determine eligibility for such relief, namely, if both parents earn a combined annual income that is equal or less than ten times that of the annual school fees. Should this combined annual income be equal or less than 30 times the annual school fees, then they are entitled to a partial exemption (ibid). Applications for exemptions must be made to the school governing body of the school concerned. More recently, the State has employed a policy of declaring schools in very poor areas to be “no-fee schools”, and according to government, the aim is to ensure that within the next three years, 60% of all state schools will be fee-exempted (Bua News, 28 July 2009). Currently, all schools that are situated in communities within the lowest two income deciles, in terms of a national poverty distribution table developed annually by the National Treasury, are exempt.

This policy to promote access is to be applauded, despite the operational problems. What SPII primary research found, however, is that in reality, overcoming the fee hurdle for poor parents and scholars presents them with other hurdles that must be negotiated if children are going to feel comfortable and able to learn. These are, firstly the lack of school feeding schemes for high school children, and secondly, the issue of the affordability of school uniforms. The following statement alludes to the costs – financial and social – that individuals pay when applying for the fee exemption:

27 The statements were taken from excerpts of primary research material undertaken by SPII, supported by
“The first thing that you have to do is go to the police station with a bank statement if you have one, so that they can see where you stand financially. After that you go to the school where you will sign an indigent form that states that you cannot afford to pay for the fees, and this usually happens at the beginning of the year. By this stage everybody knows that if you go on this certain date that you do not have money at home and that there are financial issues at home. There are also many problems that we face when we have to go the school and ask for help because some of these principals do not know how to talk to us. They will say that we are lying and that we do have money to pay for the fees. This will also make you not want to go there and tell people about the situation that you find yourself in. Even if we do cover the money for the fees, there is also the issue of buying school books, giving the children lunch money and also transport. You find that at times there is no money to buy uniform or that your child is moving into high school and they need a new full uniform. Sometimes we cannot afford and you know how kids are, they have issues with these things and they may not want to go to school.

“.yes and also peer pressure and then if you are from a family where nobody is employed and you have to go school where you have to walk and other children catch taxis and then you get to school and all your friends have money to buy Kota (bunny chow) for lunch and you do not have. And then all of them they are wearing full uniform and you only have one white shirt and at school; and they also have some other colour shirts that they wear at some other days and you do not have it they have pull-overs and blazers and they look smart, and then some other children will see that they do not look like the rest of the other children.”

“Especially on the day when you do not wear uniform, and then they will come with all these names of shoes, bo (like) Nike, Lacoste and all those things and then he will have to come with these old school shoes and then they will be teasing them especially in the high” Ekupholeni Focus Group (SPII 2009)

Social Security Cash Transfers

Section 27(1)(c) of the Constitution provides that everybody has the right of access to social security, and that those who are unable to provide for themselves and their dependants are entitled to social assistance. The state is obliged to provide this assistance to everybody in South Africa, subject to progressive realisation within its available resources.

Christian Aid, published in late 2009
Social security consists of two elements – contributory social insurance, such as Unemployment Insurance, and non-contributory social assistance which is funded through taxes such as the Old Age Pension. Given the progressive nature of the South African income tax system, the use of taxes to provide income for those in the bottom two income deciles provides for the redistributive transfer of incomes mentioned above. Social security must be distinguished from the broader umbrella of social services, which include state support for psycho-social well-being.

Social assistance is hailed as being the most effective poverty alleviation policy of the South African Government. In excess of 13 million people\(^{28}\) are in receipt of social grants (as at June 2009). Social grants are, however, targeted in terms of the category of beneficiary, age of recipient and through a means test.

Based on the provisions incrementally put in place for White South Africans during the first half of the previous century, social assistance was never intended to deal with the endemic poverty experienced by the majority of South Africans, but instead was intended to address the needs of those who fell outside of the labour market as a result of age (children and the elderly) and disability. Episodic spells of unemployment for able-bodied adults of working age were addressed through the Unemployment Insurance scheme. Introduced through the Pension Funds Act of 1928, the first non-contributory pensions were introduced to address the needs of poor Whites and Coloured people and was payable to men when they reached 65 years, and women when they reached 60 years of age. The values of the pensions reflected the racial discrimination of Apartheid. In 1968, the value of the pension paid to urban Whites was R322, compared to just R31 paid to Black Africans\(^ {29}\). In 1993, in the last days of the Apartheid State, the pensions system was extended to all within the Republic (that is, excluding the “independent” homelands) and the level of the benefits was equalised for all population groups, meaning that all those deemed eligible received that level of grant previously enjoyed by only the White section of the population. One can suspect that the National Party sought to secure the votes ahead of the democratic elections that followed in 1994, in particular, as a ploy to gain votes among the “Coloured” and Indian voters.

**Targeted Nature of Grants**

Social grants can be either universal or targeted in nature, and social policy designers in some countries include certain conditionalities which must be fulfilled by the recipient or beneficiary in order to continue to be eligible for the

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\(^{28}\) Out of an estimated 22 million people living in poverty.

\(^{29}\) Department of Social Development Reform of Retirement Provisions Discussion Document, 56.
assistance. Illustrations of such conditionalities include the attendance of school by children or the ongoing inoculation of children in order to ensure eligibility for child support transfers or family income schemes. The requirement that a beneficiary supply evidence of regular searches for employment, in order to remain eligible for an unemployment benefit, is another example of a condition that social policy designers might attach to the eligibility for state assistance. For some, the imposition of conditions to the receipt of assistance is seen as paternalistic, based on an assumption that the poor are bad parents or lazy free-loaders. For others, conditions are seen as being supportive of general well-being and a guarantee that the State’s “investment” in human capital will earn certain returns.

Universal social assistance systems are hailed for their ability to promote social solidarity and reduce the stigmatisation associated with people receiving State aid in times of need. They are also regarded as an effective antidote to poverty traps which often result in the inability by the poor to save for their future or their ability to accept low-paid jobs or temporary employment for fear that these actions may jeopardise their eligibility for the regular income of a state grant. On the other hand, critics of the universal approach argue that the cost of providing everybody within a certain category with state assistance can be too high. The costs of administering a targeted system must, however, also be entered into any cost-benefit equation. This includes both costs to the State and to the beneficiaries (especially when the continued compliance with conditionalities is costed in terms of money and time).

Social Security Policy
The Social security policy was codified in the 1997 Welfare White Paper. Subsequent to this, the Department of Social Development appointed a Committee of Inquiry to investigate approaches to developing a comprehensive social security system (the “Taylor Committee”). The Committee produced their consolidated report in March 2002. The Committee, which commenced its work in the heyday of GEAR, produced a thorough report into the conditions and causes of poverty, unemployment and inequality in South Africa, and made some very bold recommendations for how social security could assist the livelihood insecurity of many in South Africa, specifically through the introduction of a universal Basic Income Grant (BIG). The status of the report remains unclear until today. The Executive never acknowledged it as a policy paper, but have from time to time

drawn quite arbitrarily from various recommendations within the report, without any real indication of why some recommendations were selected and others not.

While social grants have been hailed by many for the alleviation of poverty that they bring to people living in destitution, others, like Moeletsi Mbeki (2009) view the social grant system as being the State “buying off” the poor with meagre morsels. Through the provision of grants, the poor’s anger against the wealthy and the state is mediated, and necessary long-term structural change is avoided.

State spending on social assistance for the 2007/08 financial year was R 62 billion. This is projected to rise to R 84.3 billion in 2010/2011\(^{31}\), which will be 3.3% of the GDP. While these expenditures are significant, it is necessary to recognise the value of the tax expenditure subsidies that are given to higher income earners who contribute to private retirement funds. Using 2005 prices, the old age grant costs the State R 19 486 billion. The combined Tax Exemption Subsidy for private retirement funds totalled R 28 547 billion, 1.9% of the GDP, and R 9 061 billion more than the State old age pension\(^{32}\).

**Available Grants**

The following social assistance grants are available, each subject to its own targeting and conditions which are set out in the Social Assistance Act 2004 and the Regulations to that Act\(^{33}\):

- Old Age Grant;
- Disability Grant;
- Care Dependency Grant;
- Foster Child Grant;
- Child Support Grant;
- Grant-in-Aid;
- War Veteran’s Grant;
- Social Relief of Distress Grant.

**Constraints within the social grant approach**

The largest policy anomaly with the social grant system is that the grants were never intended to provide the mainstay of a national poverty alleviation strategy. Its early roots were based on the assumption of full employment for all able-bodied

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\(^{32}\) Department of Social Development Reform of Retirement Provisions Discussion Document, 83.

White people of working age. The value of the grants has never been benchmarked against a specific basket of goods or services. A discussion about how people are meant to cover the difference between needs and income— including through the State social wage provisions, would be a useful measure to introduce the notion of transparent, empirically-based policy making.

The following case study undertaken as part of SPII’s primary research in the East Rand of Gauteng is indicative of how grant income for many people living in poverty and destitution currently constitutes the only safe and reliable form of income, and that this might well continue for some time to come. Given that this is the case, the cruelty of a system that denies everybody in need a claim to a grant in their own right, but in fact makes them dependant on other people (the elderly or children) is very obvious.

**Box 1. The use of the CSG (Child Support Grant) as Primary Source of Income:**

Anna is a 41 year old female and lives in Vosloorus, extension 28 phase 1. She has three children, a boy in high school aged 17, two girls, 13 and 10. She was previously married and separated from her first husband. She then began to live with her partner but he passed away in 2004. She is currently unemployed and the main source of income in the household is the child support grant that she receives for her two children aged 10 and 13. She states that on several occasions she has tried to work but this has often been unsuccessful as she has had problems with employers and payment. She is also the holder of the bag for fafi (a gambling game also know as “China Man”, which literally means a Chinese man comes through to the township to collect. The game is based on the dreams that one has and they are then interpreted into numbers and then the numbers are written down and given to the Chinese man). From that, Anna receives a small amount which she uses to contribute to the household.

She has built up strong social networks around her and she uses them when she has difficulties, mainly when she runs out of food, or when she is in need of money. She does have family around her but does not want to ask them for help because they all have a lot of problems of their own and because the relationship with her family has not been that good for a while. It seems as though her neighbours provide strong support for her as they give her food, some clothes etc. Whatever she tells them in confidence stays between them.

**Although she has access to the child grant, she feels that it is not enough because she is raising three children and that she has no other form of income. She has attempted to get the emergency relief fund and has been unsuccessful because she was told that because she received the child grant she cannot receive the other. She**  

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34 All names have been changed in this report
has become weary of government departments because she feels that they do not help people to the best of their ability. She has attempted on several occasions to access the grant and they have refused to assist her. She claims that when she arrived at the social security offices inside the township they told her that they were still busy with the work load of the previous month and that they can only work with a thousand people at a time. This also illustrates the problem that the poor have because of lack of information. They are unable to fight for their basic rights appropriately.

Other gaps that limit the effectiveness of social grants

Through the age targeting, the social assistance system fails to provide cover for able-bodied people for their entire working age, namely 15 to 59. In other words, the policy fails to address the needs and vulnerabilities of the youth, despite the incredibly high levels of unemployment faced by them.

If social security is considered as a guarantee of a certain standard of living, below which no one should fall, then the vast number of workers who are employed in full time employment but whose incomes do not enable them to live a decent life should also be considered as having been failed by the South African social security system.

Despite its debilitating effect, especially for people who are not on treatment, there is no financial assistance for people living with HIV/AIDS, and there is major confusion, nationally about whether even full blown AIDS should enable a person to receive a disability grant. This gap leads to extreme pressure and stress on people whose immunity deficiency is exacerbated by daily poverty.

The Expanded Public Works Programme

Since 2003, the State has prioritised the rolling out of an “Expanded Public Works Programme” (EPWP) system with the objective of absorbing unemployed and underemployed people into the economy. In the words of former President Thabo Mbeki, in his 2003 State of the Nation Address, the programme “will ensure that we draw significant numbers of the unemployed into productive work, and that these workers gain skills while they work, and thus take an important step to get out of the pool of those who are marginalised”.

According to the official website of the Expanded Public Works Programme (www.epwp.gov.za), the programme seeks to “bridge the gap between the growing economy and the large numbers of unskilled and unemployed people who have yet to fully enjoy the benefits of economic development” by the creation of “temporary work opportunities” for people who are unemployed. The target group was identified as people with limited skills, and hence the temporary job would be accompanied by
a period of skills training, in the hope that once people have passed their placement on an EPWP programme, they will be able to use these to establish their own income generating activities (ibid).

According to the Report of the Department of Public Works, (2008), the EPWP is implemented under four sectors:

• Infrastructure;
• Economic;
• Environment and Culture, and
• Social Sectors.

The goal of the EPWP between 2003 and 2009 was to create a minimum of one million “work opportunities” within five years, targeting the participants as follows: minimum 40% women, 30% youth and 2% people with disabilities to address the added vulnerabilities of these groups of people. According to this report, the programme achieved its target of one million work opportunities by March 2008 – one year ahead of the target date.

Wages paid for EPWP work averaged between R9 and R300 per day, with an average daily wage of R49 (DPW Report 5, 10). The amount of expenditure spent on wages in the 2008/09 financial year varied from an average of 56% for social sector public works, to an average of 5% in the economic sector.

According to the report of Mccord and Van Seventer (2004) which reviewed the impact of the Gundo Lashu Public Works programme in the Limpopo province, internationally, Public Works tend to be policy responses by governments to reduce the impact of transient or temporary labour market shocks, and are seldom adopted to respond to structural unemployment patterns. Accordingly, the authors question whether the South African State might be incorrectly ascribing the cause of the unemployment problem as being cyclical rather than structural.

In an elaboration of this concern, the authors refer to policy statements which suggest that the EPWP policy has twin objectives of firstly, growing the economy (which in turn is expected to create new jobs), and secondly, of providing skills training in order to enable people to take up the jobs that will follow from the economic growth. Using an assumption of the trickle down of wealth through job creation that they ascribe to economic growth, policy makers have replaced their analysis of the barriers to employment from a structural nature to short-term temporal or cyclical barriers. Worryingly, this flies in the face of most analyses of the failure of the GEAR macro-economic policy to achieve just that. Although economic growth was experienced, this growth did not translate into any significant numbers of new jobs sufficient to absorb the then unemployed, let alone absorb new entrants into the labour market.
The authors acknowledge the benefit that access to employment situations did have on the participants, both from a perspective of active economic participation as well as the wage income. Their studies, however, reflected concerns amongst participants that the types of skills that they developed were not of the type that would easily enable them to find new employment, specifically given the lack of demand for labour in the economy. In their concluding remarks, the authors state:

“These findings conform with the concern…. that the nature of the policy prescription is inconsistent with the nature of the labour market problem, and hence unlikely to meet the policy objectives of making significant impacts on poverty and unemployment”.

And yet, the South African State continues to talk about the need to “massify” public works. For some authors (Desai, 2005), the issue appears to be ideological. Despite the weight of the empirical evidence of McCord et al that question the efficiency and the success of public works as a way of ending unemployment and alleviating poverty, EPWP continues to be a rallying rhetoric, if not cry, of government. In his State of the Nation Address on 3 June 2009, President Zuma said:

“Another important element of our drive to create job opportunities is the Expanded Public Works Programme (EPWP). The initial target of one million jobs has been achieved. The second phase of the programme aims to create about four million job opportunities by 2014.”

Black Economic Empowerment
The post-Apartheid State was committed to addressing the economic inequalities of the former regimes through a very conscious policy of Black Economic Empowerment (BEE). The objectives of BEE and the problem statement were articulated by the Government as follows:

“Our country requires an economy that can meet the needs of all our economic citizens – our people and their enterprises – in a sustainable manner. This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of this country. Government’s objective is to achieve this vision of an adaptive economy characterised by growth, employment and equity by 2014.

Apartheid systematically and purposefully restricted the majority of South Africans from meaningful participation in the economy. The assets of millions of people were directly and indirectly destroyed and access to skills
and to self-employment was racially restricted. The accumulation process under Apartheid confined the creation of wealth to a racial minority and imposed underdevelopment on black communities. The result is an economic structure that today, in essence, still excludes the vast majority of South Africans. It is crucial to understand the magnitude of what took place in our past in order to understand why we need to act together as a nation to bring about an economic transformation in the interest of all...

Government has outlined broad economic strategies to transform the economy by 2014. These strategies include the Micro-economic Reform Strategy and a range of specific strategies such as the Integrated Manufacturing Strategy and the National Research and Development Strategy.”


There have been a number of very high profile, valuable share transfers through the vehicle of BEE. A concern held by a diverse variety of sources is that the benefits of BEE appeared to be enjoyed by a small elite group of beneficiaries that were growing extremely wealthy without further benefits being enjoyed by the majority of formerly dispossessed black people, with the result that inequalities between black people were growing. As stated in the Strategy Document:

“What has been lacking has been a comprehensive black economic empowerment strategy that draws together the various elements of government’s transformation programme in a more coherent and focused way. We have suffered from the lack of a common definition and understanding of what is meant by Black Economic Empowerment. Black economic empowerment has come to mean both everything and nothing at the same time. On occasion, there has been unnecessary confusion of defining who is black. For Black Economic Empowerment to be a programme of delivery in a meaningful sense, it has to be more precisely defined. There is also a need to co-ordinate and focus the efforts in this area.

There has been an absence of a strong and coherent voice for business, and in particular, Black business. The Black business community has not played a co-ordinated leadership role in what is an essential process for the long-term security of business. Even in the area of small and medium business, the divisions and weaknesses of long-standing Black business organisations have had an impact.”

The policy objectives of the new strategy are thus:
• A substantial increase in the number of Black people who have ownership and control of existing and new enterprises;
• A substantial increase in the number of Black people who have ownership and control of existing and new enterprises in the priority sectors of the economy that government has identified in its micro-economic reform strategy;
• A significant increase in the number of new Black enterprises, black-empowered enterprises and black-engendered enterprises;
• A significant increase in the number of Black people in executive and senior management of enterprises,
• An increasing proportion of the ownership and management of economic activities vested in community and broad-based enterprises (such as trade unions, employee trusts, and other collective enterprises) and co-operatives;
• Increased ownership of land and other productive assets, improved access to infrastructure, increased acquisition of skills, and increased participation in productive economic activities in under-developed areas, including the 13 nodal areas identified in the Urban Renewal Programme and the Integrated Sustainable Rural Development Programme;
• Accelerated and shared economic growth;
• Increased income levels of black persons and a reduction of income inequalities between and within race groups” (Strategy Document, 12-13, original emphasis).

Critical commentary on BEE has followed the strategy since its inception and continues unabated. Moeletsi Mbeki has pointed out that BEE was not, as widely held today, the invention of the ANC (Mbeki, 2009). He points out that the formation of NAIL (New African Investment Limited), a flagship BEE company, was done in 1992 by the chief architects of Afrikaner capitalism (and hence of Apartheid), insurance company SANLAM, with the support of the National Party Government’s Industrial Development Corporation. These insights are supported by commentator and analyst Duma Gqubule, who identifies the ANC’s initial position on BEE as “ambivalent”. He traces the provenance of the term at some length, most importantly drawing attention to the “reform” strategy of the Botha regime in the early 1980s to create some form of Black middle-class to serve as a buffer between the Apartheid regime and the Black urban and rural poor (Gqubule et al, undated).

The common thread of these analyses is that BEE is aimed at developing a patriotic black bourgeoisie and the achievement of de-radicalised ownership and control of the economy but that it has singularly failed. Gqubule asserts that “The real story is that hundreds of capital reform initiatives have delivered negligible equity to Black companies. The key issue is not that a few people have been
enriched through capital reform, but that so few have been empowered” (ibid: 35). He quotes with apparent agreement Moeletsi Mbeki:

“BEE is not a development model. It is a wealth redistribution model. But the problems of South Africa are not wealth distribution but wealth creation and job creation in particular. BEE handicaps entrepreneurship… ”(loc.cit.)

In the eyes of many, the South African State, in the fifteen years of democracy, effectively mismanaged both the State and the economy, and BEE is a critical component of how wrong policy choices were made. Prioritising a model of “rentier capitalism”, dismally failing to create jobs and support productive and innovative entrepreneurship, disinvesting from social expenditure in quality health and education programmes and “de-industrialising” the South African economy in favour of financial services, has rendered the first decades of democracy a continuation and entrenchment of poverty and inequality.

Conclusion
The above policies suggest that there are a number of issues at play. That the State has committed itself to addressing the needs of the poor is evident, illustrated in the provision of free education and social grants. Unfortunately, it appears that for a variety of reasons, many of which appear to be ideological in nature, the State is unwilling to admit that the creation of decent jobs (and not temporary “job opportunities”) for each able-bodied person of working age, has not taken place. Obfuscation and misdiagnosis of the size and cause of the levels of poverty and inequality do not solve the problem and indeed may add to the emerging and growing violent protests against a lack of service delivery, a lack of access to security and indeed a growing desperation. Poor people have expressed that little has changed and they do not see any indication that sufficient political will exists at grass roots level to ensure that things will improve for them.

The correct response is not for the police to use force and rubber bullets to silence these protests, but it is necessary for decision-makers to reconsider both their diagnosis and their prescribed cure. In the next section we consider a number of policy alternatives that might be able to contribute towards a solution.

Rebuilding from Below
The ANSA publication called “The Search for Sustainable Human Development in Southern Africa” (Kanyenze et al, 2006) outlines a number of alternative policies and approaches that might contribute to the creation of a developmental state that could address the burning regional issues of inequality, poverty and structural
impediments to transformation. Amongst other preconditions for such a paradigm shift, the authors set out the need for a vision, strategy and co-ordination. It is important to note that the South African administration that came into power after the 2009 national election had presented a manifesto that promised to deliver all of these issues.

As the fledgling South African State emerged post-1994, similar to most other newly independent post-colonial states, there was a very deliberate de-mobilisation of the millions of activists that had supported the liberation movement. At the same time, the new Government was increasingly advised and provided with technical expertise from foreign bodies including the World Bank and the International Monetary Fund and also local capital (Terreblanche, 106). Analysts speak of an “elite compromise” that was forged between these bodies and the African National Congress (ANC) from 1993 onwards in a manner that sounded the death knell for the anticipated redistribution and transformation of the elite economy that so many people (including the elites) had thought would follow on liberation (Terreblanche, 2002; Bond and Desai, 2006). The transition to political democracy was, it has been claimed, simultaneously a transition from racial capitalism to neo-liberalism (Desai, 2003).

As has been explored previously, the Reconstruction and Development Programme (RDP) introduced by the ANC Government in 1994, based on their historic election manifesto, set out to address 4 inter-linked challenges:

- Building the economy;
- Meeting basic needs;
- Democratising the State; and
- Building human capacity.

The initial RDP document itself acknowledged that the State had an active and interventionalist role to play in the reconstruction of both the economy and society, and that to limit collective interests to narrow questions of economic growth would be detrimental to the prospects of transformation. By the time this document was adopted as a White Paper in November 2004, however, the initial bold views of the role of the State had already been altered. The issue of redistribution had been dropped and that principle of fiscal discipline added (Terreblanche, 2002).

At the same time, the many vibrant and brave community-based structures and civic organisations that were at the forefront of the national opposition to the Apartheid Government had been convinced to align themselves with a new South African National Civics Organisation, which soon became a fourth (and junior) partner to the Tripartite Alliance of the ANC, COSATU and the South African Communist party.
After the adoption and implementation of GEAR, relations between the State and non-state actors were strained even further. The concern that people expressed about the choice by the State of a neo-liberal macro-economic policy met with a withdrawal of the State into a “lager mentality” of non-engagement.

Previous attempts to promote alternatives to neo-liberalism
In the context of GEAR, the Congress of South African Trade Unions (COSATU), the South African Council of Churches (SACC) and the South African National NGO Coalition (SANGOCO), with technical support from the National Labour and Economic Development Institute (NALEDI) undertook the “The People's Budget Campaign” (PBC) as an initiative to put forward alternatives. GEAR as an economic strategy did little to support greater equality because essentially it perpetuated the country's historic accumulation patterns. GEAR created little employment, strengthened big business and did nothing to develop rural areas, historically underdeveloped as reservoirs of cheap, low skilled and economically marginalised Black surplus labour. The GEAR strategy also reduced the bargaining power of labour with its restrictive inflation targeting deficit reduction. As a result of GEAR's restrictions on expenditure, Government did not increase spending on social services in real terms, throughout much of the late 1990's and early 2000s, and therefore did not adequately address poverty (Naledi, 2001).

The People's Budget Campaign represented civil society's response to the national government's annual budget, and covers both sectoral specific counter-proposals in addition to over-arching macro-economic policy alternatives. They also make comments about the various policies by Government that seek to alleviate poverty. The PBC states that:

“The People’s Budget aims to stimulate broad discussion and mobilisation around how government uses its resources. To that end, it will produce a fiscal framework every year, based on in-depth research. The framework will explore the main tasks facing government in ensuring social and economic development and growth, and assess the fiscal implications”.

We aim to address key concerns facing South Africa – unemployment and poverty. Our initial work so far has identified five basic components of the People's Budget Framework. These are:

1. an alternative macro-economic framework for a People’s Budget;
2. social and economic infrastructure;
3. comprehensive social security system which will include a basic income
grant and a national health insurance;
4. role of the public sector in job creation; and
5. land reform.”

Civil society also convened “The Speak Out on Poverty Hearings” in 1998 to expose the impact of poverty on people’s lives. The most repeated complaint at the hearings was unemployment. Poor governance in the form of unavailable, unresponsive and self-interested councillors and local government also emerged. These hearings were followed up with another round of hearings in 2008 which found that for many, far too little has changed.

In another response to the right-shift inherent in GEAR, the Congress of South African Trade Unions (COSATU) responded vociferously to the Government’s intentions of privatising state assets including mass mobilisation, strikes and proposing alternatives to privatisation. NALEDI hosted a conference on the 23-24 August 2001 to discuss these alternatives. The negative impacts of privatisation that were outlined are as follows:

• service charges to the poor would be increased as the private sector seeks to profit more than provide services (the poor would not be able to afford the charges);
• privatisation would reduce finances for extending services (Government would allocate a small budget to services);
• foreign direct investment would not necessarily flow, (in answer to the argument that privatisation will cause foreign direct investment);
• public sector employees would be retrenched, particularly those with jobs that are often targeted for outsourcing. This would force the affected workers into the informal sector where jobs are not secure;
• privatisation would significantly diminish the developmental role of the State, which is to develop economic growth, provide basic needs and infrastructure, democratise the public sector and society, and create alternative and social forms of ownership (NALEDI, 2001).

As an alternative to privatisation, it was proposed that the State should retain control and ownership of service provisions, and that the private sector should participate in the extension of services where capacity was lacking (NALEDI, 2001).

Summary of Government Proposals and Union Responses on Restructuring in the Public Sector
<table>
<thead>
<tr>
<th>Sector</th>
<th>Government Proposals</th>
<th>Union Responses</th>
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<tbody>
<tr>
<td><strong>Water</strong></td>
<td>» Regulations currently being developed will enhance private sector participation through public-private partnerships.</td>
<td>» Public-Public Partnerships (i.e. partnerships between water boards and local authorities) must be considered; Pilot projects have been established in Odi and Harrismith.</td>
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<tr>
<td><strong>Electricity</strong></td>
<td>» Managed liberalisation of the electricity sector, including: &lt;br&gt;» Selling of 30% of generation capacity to raise funds for new generation plants; &lt;br&gt;» Establishment of six stand-alone regional electricity distributors; &lt;br&gt;» Transmission to remain in government’s hands.</td>
<td>» Financing of new generation capacity through government bonds or through the budget, is more financially efficient. &lt;br&gt;» Rationalisation of distribution through establishing a national distributor. The advantage of a national distributor would be that it allows for cross-subsidies between rich and poor areas.</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>» Split Spoornet into six separate business units (no cross subsidisation); &lt;br&gt;» Concession Orex and Coallink and use funds to turn-around GENERAL Freight Business; &lt;br&gt;» Sell-off Protecon and Transwerk — two strategic business units that provide engineering support to Spoornet.</td>
<td>» Create an integrated rail company to subsidise the ailing General Freight Business; &lt;br&gt;» An integrated Spoornet does not need government assistance except government guarantees for securing of debt; &lt;br&gt;» Have Protecon and Transwerk as part of an integrated Spoornet and Transnet.</td>
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<tr>
<td><strong>Health</strong></td>
<td>» Regulation of private medical aid; &lt;br&gt;» Attempt to increase budgets for health spending.</td>
<td>» Returning health care to the public sector, through the establishment of a National Health Insurance; &lt;br&gt;» The outcomes of the NHI would be a significant increase in spending on health care, and provide for cheaper medical costs</td>
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<tr>
<td>Sector</td>
<td>Government Proposals</td>
<td>Union Responses</td>
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<tr>
<td>Public Service</td>
<td>» Proposals continue to emerge for outsourcing ‘non-core’ functions (e.g. cleaning, laundry and health);&lt;br&gt;» Establishment of regional empowerment companies to provide non-core services.</td>
<td>» Cleaning, laundry and other services termed “non-core” are integral to providing a service;&lt;br&gt;» Administrative posts in schools still reflect apartheid planning. Outsourcing would see further deterioration of maintenance in schools;&lt;br&gt;» Strategies to transform work organisation and service delivery need to be developed jointly with unions and government.</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>» Sold 30% to the Thithana – joint venture between SBC Communications and TELKOM Malaysia;&lt;br&gt;» List/Float TELKOM shares in JSE Securities and Exchange and New York Stock Exchange in 2001.</td>
<td>» Universal coverage – extension of services to rural and previously disadvantaged communities;&lt;br&gt;» State’s participation and full ownership of TELKOM.</td>
</tr>
</tbody>
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Civil society organisations under the umbrella body, SANGOCO, commissioned a discussion document called Towards a National Anti-Poverty Agenda for Civil Society (Isandla, 1999). Civil Society was directed to develop policy and programmes that respond to the needs of the poor. It proposed a rethink of macro-economic policy - re-orientation of the budget with poverty being a priority - and creating a social security system that will support the livelihood strategies of the poor. The seven clusters of anti-poverty action identified were:

1. Facilitating access to good quality employment and economic opportunities;

2. Increasing the physical asset-base of the poor: land, housing, equipment for economic enterprise;
3. Facilitating access to basic services for the poor: including water and sanitation, solid waste management, affordable and safe energy, transport education, health and shelter;

4. Strengthening community management of own initiatives and external programmes and ability to self-organise. (The most important plank of anti-poverty interventions is to facilitate the autonomy and empowerment of poor households and organisations of the poor);

5. Enhancing democratic participation by the poor in public decision-making to ensure effective monitoring and influence over public resource allocations and service delivery;

6. Ensuring the access of the poor to legal entitlements and security;

7. Ensuring access to safety nets to strengthen ability to manage shocks and stresses (Isandla, 1999)

A Basic Income Grant
Civil society has also called for a Basic Income Grant (BIG) saying it will positively impact the welfare of the poor to a large extent. COSATU has prepared a series of papers explaining what the BIG is, how it would assist in poverty alleviation and how it would be regulated (COSATU, 1998). The Basic Income Grant (BIG) proposal was for a monthly grant that would be paid by the State to everyone legally resident in South Africa, regardless of age, income, family status, or other factors. It has been proposed by a wide range of groups, including the Government’s expert panel on comprehensive social security, and the Taylor Committee, as one way of giving effect to the right to social security, guaranteed by the Constitution (Taylor Committee, 2002). Supporters of the grant have recommended that it be set at R100 a month at 2000 prices, but that it should increase indexed to price inflation (Ibid.)

New social movements: Same problems, new slogans?
Alongside the more traditional formations of civil society there emerged over the last decade or so a disparate group of formations, moulding themselves on the lines of the Treatment Action Campaign, as single-issue action-based movements. As Moloi (2008) noted:
“The three years spanning the United Nation’s WCAR and the WSSD... also saw the birth of ‘social movements’ that like their counterparts elsewhere in the world took a dim view of globalisation and national government which kow-towed with its apparatus, more specifically the World Bank(WB), International Monetary Fund (IMF) and the World Trade Organisation (WTO). It was in this context that the South African social movement, made up of groups ranging from the urban Soweto Electricity Crisis Committee (SECC), the Anti-Privatisation Forum (AFP) to the more rural Landless People’s Movement (LPM), led a crowd of an estimated 20 000 people to Sandton, Johannesburg, in protest against the UN’s WSSD and the ‘neo-liberal’ policies of the African National Congress-led Government.”

Perhaps the key to the limitations and weaknesses which have hampered the development of the “new social movements” is alluded to in Moloi’s analysis. They arose in response to local political and economic challenges but were deeply rooted and orientated to, ideologically and politically, the international anti-globalisation movement, made famous by, first the Zapatista’s and then the protests in Seattle in 1999. Politically diverse and divergent, the anti-globalisation movement, if one may call it that, offered many lessons but few salient guiding features to the often youthful and angry protesters in South Africa. The focus on international meetings and events, while spectacular, hardly created a sustained or sustainable intellectual and organisational challenge to the ruling elite and its over-arching political-economic consensus.

While being firmly opposed to GEAR and neo-liberalism, these movements failed to emulate the success of the TAC or achieve the broad support it gained across society. In part, this was due to failure to create effective coalitions with the trade union movement, seen by some in the social movements to be part of the problem because of its formal alliance with the ANC Government. It is also perhaps attributable to the failure to generate nuanced alternatives within a coherent framework not simply of oppositional demands but towards an alternative developmental paradigm. The decline in the prominence of the “new social movements” belies the significance of action-based mobilisation as demonstrated in the widespread “service delivery protest” which periodically occurs as community anger at (local) government failure explodes.

Anti-neo-liberalism is one thing and it can be achieved with little or no real social mobilisation. Alternatives to neo-liberalism are entirely more difficult to craft, and certainly more challenging to mobilise society around.
Recommendations

Rebuilding civil society

Civil society structures suffered from a real withdrawal of resources – financial as well as people. Many of the front line leaders of organisations and structures moved into positions within government, and a few into business. The international sources of funding that had sustained so many of the anti-Apartheid organisations became formalised as part of the Government to government bilateral aid agreements, leaving Treasury the role of deciding on which activities, sectors and structures they would fund. Increasing numbers of organisations folded, and others limped along in very survivalist ways. Even the national NGO Coalition (SANGOCO) that had organised across provinces and sectors from 1999 today faces huge challenges if it is to survive. All of this had a deeply deleterious impact on the former power that civil society had held in terms of positing people-centred positions and demands as equals alongside organised Labour, Business and Government. Further fractious factions in the sector emerged as people struggled to compete for the dwindling resource pool.

There is an urgent need to rebuild progressive civil society in an inclusive, bottom-up approach in a manner that affirms people’s agency, and their power and strengthens their capacity to claim their existing rights, participate in deliberative structures, especially in connection with institutions that deliberate on their own livelihoods, such as local government policies for free basic water and services.

Nature and society abhors vacuums. The longer it takes civil society to regroup, the smaller the space will be for its existence and operation. Key actors in the sector, including the labour movement and faith-based organisations should organise around a few key issues and through doing, and begin to rebuild networks, as the first step to rebuilding an organised and aware civil society.

Introduce a BIG and rebuild the economy from below

The tightly-held monopolistic structure of the South African economy provides many obstacles to new entrants, as well as to the very sustainability of the economy. Linked to the high levels of income inequality in the country, growth in the manufacturing sector is limited, in terms of domestic markets and demand (Kanyenze et al 2006). The policy followed has been to focus on extraction and manufacturing for export, despite the question of distance to Northern markets etc.

A very real alternative would be to grow domestic demand through the redistribution of basic income (such as a universal Basic Income Grant). This addresses questions of inequality, equity, limited redistribution, and economic
demand as well as poverty alleviation. It has both an immediate result, as well as medium and long-term structural potential.

Social protection must be acknowledged as being a key tool in the restructuring of society. Rather than being seen as payments to the “most vulnerable”, it should be seen as an active acknowledgement of the shortcomings of the formal market in terms of the majority of South Africans, as it is acknowledged in some Nordic countries.

Civil society had, in the past, called for the establishment of a multi-sectoral Basic Income Grant Coalition, whose members included the South African Council of Churches and COSATU. While the State has consistently avoided engaging in the fundamental arguments in favour of such a step, the debate itself has opened up government thinking about expanding the reach of the current social security policies. Tax incidence analyses have been undertaken that demonstrate the affordability of such an initiative. William Gumede states that in addition to arguments of equality, need and social justice, a Basic Income Grant in South Africa could furthermore have the potential to “be the basis of a new consensus, based on economic justice the TRC urged was needed if real reconciliation was ever to take place between black and white in South Africa. The Government needs to urgently provide interim social security for those waiting for economic growth to trickle down to them. Even if robust growth finally arrives, it is unlikely to significantly narrow the gap between rich and poor” (Gumede 2005:120).

South African civil society should also consider how to use the pilot of the Namibian BIG Coalition in its engagements with government and business in this regard.

In order to ensure the maximum multiplier effects of a BIG, it is recommended that people begin to strategise about what forms of small manufacturing would be sustained through the levels of increased disposable income that a BIG would inject into communities from a perspective of increased demand. Central to these deliberations should be the issue of job creation and vertical as well as horizontal linkages between producers and consumers through the diversification of the economy and the increased incorporation of new producers whether as co-operatives of producers or SMMEs etc. Stimulating demand in poor communities will support local production. Currently the absence of disposable income severely limits the sustainability of local economic development in poor areas. This would have the potential to sustain the demand which would enable people to develop small-scale production and to explore the use of co-operatives or collectives to strengthen these initiatives.
Redesign social insurance to cover self-employed and informal workers

Other work could be done on related issues of social protection, including looking at expanding contributory social insurance schemes such as the Unemployment Insurance Fund and the proposed National Retirement Fund to allow for favourable incorporation of self-employed and informal workers in line with the work undertaken in this respect by SEWA (the Self-Employed Women’s Association) in India. Linking Labour Market Activation Strategies (such as job placement schemes, apprenticeships, job centres, further learning colleges, etc) with a minimum monthly stipend would also facilitate the entrance of many of the millions of unemployed people back into the labour market where jobs and vacancies do currently exist. The current skills shortage in sectors of the economy (such as artisans) that hinder economic development would also be addressed through such an initiative.

Marrying a livelihoods- with a human rights approach

The recommendation in ANSA that a human rights discourse be strengthened by the inclusion of a livelihoods approach is also something that has resonance in South Africa. Governed by an internationally acclaimed Constitution that guarantees amongst other things, justiciable socio-economic rights, what the minimum content of such a guarantee should be, and the question of progressive realisation to the full and universal realisation of these rights, is still a vague and unanswered concept in South Africa.

Linked to the non-derogable right to dignity in the Constitution, civil society should advocate for a national debate to be held on what constitutes the basic goods and services to enable a person to live a life of dignity in South Africa. This, aligned with the powerful tools of the socio-economic rights, could form a platform for concrete and real improvements regarding the value of a social grant income, the standard of housing, basic services and education, and the receipt of sufficient food and water (as contained in Chapter Two of the Constitution).

Further work is required to develop a rights-linked monitoring and evaluation system that would monitor, annually, the development of rights and the expansion of the enjoyment of these rights. This matrix should consider both annual budgets tabled across all three tiers of government, national planning information and departmental strategic plans and annual reports. There could also be a system for collecting data inputs from local NGOs and CBOs on the growth or reduction in the enjoyment of rights on the ground. Comprehensively, taking all of these elements into account, this system could provide oversight bodies such as Parliament and the Chapter 9 Institutions (such as the Human Rights Commission) with an
independent tool by which to hold the executive to account, as well as to provide the executive with a blue print of what their policy and programmatic planning should incorporate.

Rebuild rural towns as productive hubs

The rapid rate of urbanisation has led to extremely high-density living in very poor conditions in cities, whether in satellite townships or informal settlements, or in city centres where people live in deeply unsanitary conditions in buildings functionally ill-suited to providing accommodation, be they former warehouses, factories, shops etc. Overcrowding and a lack of personal safety characterise most of these dwellings; lack of access to basic services or amenities for rest or relaxation for adults or children create a brutish existence. And yet, the pull of the cities still continues because, for many people, they provide the only hope for employment, even though this tends to be insecure and informal work. This is deemed preferable to living in rural and even peri-urban areas.

With the demise of the apartheid “influx-control” and pass laws, urbanisation rose rapidly. The new democratic government appeared to have struggled to develop any concrete or constructive urbanisation policy. As a result, poor people were pretty much left to their own devices in terms of accommodation, jobs, access to education or services.

There are a number of international experiences of rural rebuilding – deliberate policies to incentivise both the rebuilding of rural towns and indeed of constructing cities in areas currently underdeveloped, e.g. by moving the seat of government or the legislature. Secondary service demand follows very rapidly, again especially if combined with favourable tax assistance.

It is also possible to link geographical comparative advantage to the development of specific industrial hubs. The sorely-needed development of beneficiation – backwards and forwards linkages in production and manufacturing around extractive processes – could also be developed in non-urban areas.

As part of the development of the new industrial policy that is being finalised, there should be a very deliberate attempt to locate points of production in non-urban areas. The start-up costs will be higher, but the longer-term returns, in terms of investment, access to land etc and the spin-off of secondary supply sectors will be high. Excellent transport infrastructure will also be required to maintain supply chains. The establishment of these transport networks, especially rail-based, will also, in the short-term, provide for Public Works employment.
Deepen value addition
The benefits of beneficiation and building whole value chains have been appreciated for some time in South Africa as being necessary to break the dependency on input imports that place South Africa at the mercy of international markets. Increased value addition is also necessary if we wish to break out of the current mode of production that still bears characteristics of a primary colonial economy. The development of value chains should also take cognisance of regional comparative advantages with the SADC region in order to maximise regional co-operation.

Conclusion
While Section 9 of the Constitution of South Africa guarantees equality before the law, it is clear that equality and even equity is not shared by all. Dispossession and exploitation for more than four hundred years have set patterns of inequality and privilege. From the impact of smallpox brought by Dutch colonisers to the removal of the right of South African citizenship for millions of Black South Africans, the actions of a small minority regime have had disastrous consequences for the well-being of the majority.

The rich mineral reserves in South Africa are viewed as a mixed blessing – while funding growth, they have also been the cause of past struggles for control and the subsequent exploitation of workers. In addition, to the extent that South Africa has become dependent on commodity exports, national manufacturing and value-addition have been neglected, which in turn has resulted in a decline of decent jobs.

The very high levels of income inequality are not sustainable. Recent years have seen increasingly violent “service delivery protests”, which in effect are an expression of people calling for an end to the levels of marginalisation and destitution in which they live. As can be seen from the focus group extracts presented in this chapter, the pressure to be branded is not limited to the middle classes. Identity and self-worth are tightly linked to consumerism, driven by the need for the formal economy to reproduce itself through stimulating demand.

This chapter considered a number of state policies that have been adopted since 1994, including social grants, public works programmes and Black Economic Empowerment. Critics of all of these concluded that they fall far short of addressing the structural nature of unemployment and inequality in South Africa. In essence, they appear to be attempts by the elite to prevent more fundamental change.

With the inauguration of the new administration in 2009, it was hoped that the claims to be pro-working class would translate into new and effective policies. There has been some commitment to improved oversight of non-delivering state
officials which is to be welcomed. There has been widespread disappointment, however, with the extremely lavish spending of state money on the new cabinet’s motor cars (to the tune of about R4 billion) in the face of the negative impact of the global economic crisis on the country. As millions continue to lose jobs in a country that already faces a deep social and economic crisis, ministerial spokespersons defended these purchases on the grounds that they were “not against the rules”.

The lack of solidarity across race, class and gender in South Africa does not reflect the ideology that informed the struggle and the huge sacrifices made in the battle against Apartheid and subjugation. The need for structural transformation has been highlighted throughout the analysis of the preceding chapters. Change cannot be imposed from above without reference to grassroots level, and that is why community mobilisation is a critical intervention. However, political leadership is also crucial to ensure transformation across class and sectoral interests.

Since civil society first comprehended what the impact of GEAR would be on our fledgling democracy, there have been a number of initiatives that sought to challenge the orthodox fundamentals that had been adopted to shape our economy as explored in section 4. What is clear is that these instances of opposition were not sufficient to change direction. With each successive year and each successive electoral period, the necessary change becomes more difficult to effect as interests become entrenched and people’s living memories of the struggle ideals fade. Young people are born without a reference to the sense of collective struggle and collective interests that shaped the anti-apartheid struggle.

What is required is an inclusive dialogue about the damage that current policies are causing. Lack of clear policies for immediate, medium and long-term action suggests either that decision-makers fail to see the current crisis, preferring to flounder from one short-term crisis to another, or they do realise the implications of policy failings, but are not willing or able to make difficult choices based on a clear diagnosis of the current dysfunctions. Whatever the reason, poor people do not see a future that addresses their needs, and business does not see an economy in which they are prepared to make long-term productive investment.

The recommendations made in this chapter span social, economic and spatial policies. Thus, we spoke about the need to extend social cash transfers to those currently not covered. We also propose the introduction of a Basic Income Grant which would begin to address the very high income inequalities caused by structural unemployment and wage disparities through the redistribution of income from tax payers to grant recipients. The introduction of such a Grant would also begin to realise the State’s constitutional obligations to provide universal access to social security and specific access to social assistance for the poor. A BIG would also
address destitution and protect a large number of South Africans against hunger and starvation. Confiming the right of access to the poor would also provide a symbol of solidarity and point to a responsibility of those who currently enjoy economic privileges.

How the income is used is also important. If the income is spent on locally-produced goods or services, the cash could be used to rebuild local economies. However, if the cash is spent on cheaply imported goods or at shopping centres outside of the community, the developmental potential of a BIG would be significantly reduced. Careful planning and innovative approaches would be required to gain maximum benefits from a BIG.

As part of the need by the State to provide social security for all, we also recommend extending social insurance to cover atypical and informal workers. Schemes currently do not provide such cover, preventing atypical workers from benefitting from cross-subsidised insurance and income-protection schemes (such as the Unemployment Insurance Fund, UIF). There are a number of innovative approaches that are followed in other developing countries, such as by the Self-Employed Women’s Association (SEWA) in India that could be studied for lessons and inspiration.

In order to prevent the high internal migration towards urban areas, we recommend a very deliberate attempt to rebuild certain rural towns as productive hubs. The cities cannot accommodate the numbers of people who arrive each year, and rural areas are losing their young and productive inhabitants, leaving the remaining residents even more vulnerable. By identifying comparative advantages of certain rural towns, specific incentives can be made available for productive operations to be set up in these areas. Rebuilding rail infrastructure would be essential and is long overdue. Safe and affordable transport would enable goods produced to reach the markets quickly, reducing the isolation of these areas. Decentralised production would also stimulate secondary goods and services, rejuvenating areas that are currently sorely depleted.

Finally, in terms of industrial policy, we recommend the need to deepen value chains to promote local manufacturing and break away from the heavy dependency on the export of raw materials. It is no coincidence that South Africa, Namibia and Botswana have such high levels of income inequality, given that most of the resources extracted are not processed in these countries, losing valuable chances to create employment through local processing. Instead, the processing is done elsewhere and the final goods are often imported again at a much greater cost. Establishing processing capacity in South Africa would certainly boost our economic development and employment creation.
There is a trend amongst policy makers to move away from talking about poverty and rather focus on “sustainable livelihoods”. Poverty has more overt political considerations, specifically invoking questions about the distribution of existing resources. “Sustainable livelihoods”, instead suggests that poor people should be satisfied with developing survivalist income streams rather than decent jobs. In fact, “sustainable livelihoods” is seldom taken as a critique of the unsustainable nature of very high income earning and the spending patterns that this provides for. To remedy this, we recommend that notions of sustainability assume a rights basis, including both non-derogable rights of life, dignity and equality, and socio-economic rights.

Fundamental to the recommendations that we make is the need for South African civil society to be rebuilt in an inclusive manner that not only affirms the agency of actors within the sector, but also invigorates democratic processes and encourages the sharing of innovation with state bodies and decision-makers. Civil society needs to be a melting pot of new thinking, bold ideas and progressive principles. It should not be seen as an “employer of last resort”, nor should it be viewed as a sector that can be abused by self-interest. The sector can be enhanced through better support – regulatory as well as funding – from the State. This, however, requires a commitment by the sector to excellence and transformation that earns it the respect and admiration of other sectors. Civil society should lead by example - a social revolution in respect of care, social solidarity and citizen activism including the mobilisation of poor and working-class people that is required to transform the society. It should never again be considered acceptable to be one of the most unequal countries in the world.
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